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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL DROUGHT MANAGEMENT AUTHORITY

FOR THE YEAR ENDED 30 JUNE, 2025

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL DROUGHT MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Drought Management Authority set out on pages 1 to 49 which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Drought Management Authority as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Drought Management Authority Act, 2016.

Basis for Qualified Opinion

Inaccuracy of the Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.418,883,070 in respect of property, plant, and equipment as disclosed in Note 20(a) to the financial statements. As reported previously, the balance of Kshs.418,883,070 excludes four (4) parcels of land of undetermined value measuring 4.299 hectares owned by the Authority in four different counties. Out of the four (4) parcels of land, only one (1) parcel had a title deed while the other three (3) had letters of allotment. Further, a parcel of land in one of the counties was the subject of a dispute between the Authority and a private individual who had acquired title and lease on 20 January, 2022. The private individual was accusing the Authority of trespassing on his land and was demanding cessation of construction of a perimeter wall.

In the circumstances, the accuracy, completeness, valuation and ownership of the property plant and equipment balance of Kshs.418,883,070 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Drought Management Authority Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,646,439,556 and Kshs.3,417,866,742 respectively resulting to an underfunding of Kshs.228,572,815 or 6% of the budget. Further, the Authority spent an amount of Kshs.3,038,595,614 against actual receipts of Kshs.3,417,866,742 resulting to an under absorption of Kshs.379,271,125.

The underfunding and under absorption of the available resources is an indication that all activities in the annual work-plan were not implemented, which may have negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Authority in 2024/2025 revealed that the following eleven (11) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracy of the Property, Plant and Equipment Balance
2.	2023/2024	Budgetary Control and Performance
3.	2023/2024	Irregular Payment of Allowances to Board Members
4.	2023/2024	Non- Compliance with the One-Third of Basic Rule
5.	2023/2024	Untagged Assets
6.	2023/2024	Lack of Approved Staff Establishment
7.	2022/2023	Failure to Amortize Intangible Assets
8.	2022/2023	Incomplete Fixed Asset Register
9.	2022/2023	Violation of Statutory Requirement on Appointment of Members of the Board
10.	2022/2023	Sustainability Concerns of Chepkobegh Slaughter Slab
11.	2022/2023	Projects Constructed on Land Without Ownership Documents

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management are responsible for the Other Information set out on page iii to xxxix which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Un-Operationalized Audit Management System Modules

The Authority entered into a contract with a local consulting firm on 18 September, 2023 for the procurement of an Audit Management System (AMS) with minimal customization for a contract sum of Kshs.16,832,584 for five (5) modules. Review of payment details revealed that payments were made for fifteen (15) licensed users including payments for licenses and training of staff. However, during a system walkthrough of the AMS, it was observed that two modules were yet to be operationalized.

In the circumstances, value for money of Kshs.16,832,584 spent on procurement of the Audit Management System may not have been obtained.

2. Non-Compliance with the One-Third of Basic Salary Rule

Review of the Authority's payroll revealed that forty-four (44) employees received net which were less than a third (1/3) of their basic salaries in the month of June, 2024. This was contrary to Section19(3) of the Employment Act, 2007 which states that all deductions made by an employer from the wages or salaries of his employees at any one time shall not exceed two thirds of such wages or salaries.

In the circumstances, Management was in breach of the law.

3. Irregularities in Procurement and Implementation of Projects

Review of projects documents for the year under review revealed various inconsistencies as detailed below;

3.1 Rehabilitation and Expansion of Mozo-Funju Water Project in Taita Taveta County

The Authority entered in to a contract with a local firm at a contract sum of Kshs.4,744,574 for construction of a solar panel support structure, installation of 15. No solar panels with a total capacity of 8,250 watts, rehabilitation of a 25m3 masonry storage tank and installation of a submersible multistage centrifugal pump at Mozo-Funju water project. Review of procurement documents revealed that the notification of award was issued on 6 September, 2024 and acceptance done on 10 September, 2024. However, the contract agreement was signed on 9 September, 2024 which was before the awarded bidder accepted the award and before lapse of the statutory fourteen (14) days. This was contrary to Section 69 of the Public Procurement and Asset Disposal Act, 2015 which states that no procurement approval shall be made to operate retrospectively to any date earlier than the date on which it is made except on procurements in response to an urgent need and contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015. In addition, the quotation evaluation report which was done on 22 August, 2024 was not initialed by quotation evaluation members.

Further, physical verification carried out in the month of August, 2025 revealed that the water project was not fenced, which posed a security risk to the installed solar panels. Further, although land agreements were provided, they lacked legal backing and no evidence was provided showing that the transfer process of the donated land to community had commenced.

In the circumstances, Management was in breach of the law and value for money may not have been obtained from the implementation of the project.

3.2 Construction of Misa Integrated Water Project- Golbo Ward, Marsabit County

The Authority entered in to a contract with a local firm at a contract sum of Kshs.45,101,814 entered on 24 May, 2024. The site was handed over on 8 July, 2024 over one month after signing of the contract. Field Report No. 6 dated 28 October, 2024 indicated that works commenced on 18 July, 2024 and was scheduled to be completed by 17 November, 2024. The report indicated various variations and no explanation was provided for delay in completion of the project. Further, the site minutes were not provided for verification.

Physical verification of the project carried out in the month of August, 2025 revealed that the water pan did not have an outlet, and had several deep gullies on the inside and outside of the embankment walls and on the pan's walls posing danger to both humans and livestock. In addition, it was not clear how water from the elevated steel tank will be accessed by the community since the Bills of Quantities did not include a pipeline component.

Further, the project included test pumping, equipping and solarization of two boreholes owned by local farmers without a formal agreement on how this would benefit the community.

In the circumstances, value for money may not have been obtained from the construction of intergrated water project worth Kshs.45,101,814.

3.3 Sirata Micro Irrigation Project in Marsabit County

The Authority entered in to a contract with a local firm at a contract sum of Kshs.4,950,532 which included installation of 44 solar panels (280 W each), rehabilitation of the rising main and distribution pipes, supply and installation of two (10,000-litre) plastic tanks, repair of three masonry tank stands, supply and installation of drip irrigation on one acre, training of farmers on climate-smart agricultural practices and installation of a 11-kw submersible pump.

Physical verification carried out in the month of August, 2025 revealed that two of the recently repaired masonry tank stands had cracked indicating poor workmanship. The repaired stands were constructed by plastering a hip of stones piled together without reinforcement with either wire mesh or chain link. Gaping holes revealed piled stones which were falling apart and making the stand weak and vulnerable to collapse. Further, inspection of the farming activities revealed that the farm was not optimally utilized since only about 20 percent had crops. Discussion with the farmers revealed that the problem was occasioned by lack of reliable water supply and failure by some members to make use of their allocated portions of the land.

In the circumstances, the Sirata farming community may not have benefited from the construction of the borehole.

3.4 Mwania-Mangoa Sand Dam Project in Kitui County

The total project cost for construction of Mwania-Mangoa sand dam was Kshs.45,833,055 which included construction of a sand dam weir, construction of a 4-meter diameter sump wall installed with solar pumping system, construction of 4.87Km rising main to 100,000 liters masonry storage tank and 6km distribution line, three community water kiosks, fencing of the $100M^3$ water tank site and upgrade of the solar power system, including installation of a lightning arrestor to protect the equipment.

Review of the project documents revealed that the transfer and ownership of the land from private ownership to the community had not been completed. Further, the final project completion report dated 30 June, 2025 revealed that the county government had proposed the project to be taken over by a water company hence affecting affordability and involvement of the Project Management Committee in oversight, ownership and sustainability of the project.

In the circumstances, the intended benefits envisioned in the implementation of the project may not have been achieved.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Submit Annual Board Work Plan

Review of the Board's work plan and activities for the period revealed that the Annual Board work plan was not forwarded to State Corporations Advisory Committee through the parent Ministry by 30 June, 2024 as required. This was contrary to Circular No./Cab.9/1a dated 11 March, 2020 from the Executive Office of the President on Management of State Corporations which requires all Board of Directors to submit their Annual ALMANAC to State Corporations Advisory Committee (SCAC) through their Parent Ministry by 30 June of every year.

In the circumstances, risk management and oversight enhancement may be compromised and ultimately affect better navigation of uncertainties without safeguarding long-term Authority's success and sustainability.

2. Untagged Assets

Review of the Asset register established that assets valued at Kshs.132,496,928 comprising of furniture and fittings, ICT equipment and office equipment of Kshs.39,769,011, Kshs.19,634,397 and Kshs.73,093,520, respectively were not tagged. This was contrary to Regulation 136 (1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of a national government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse; and movement and conditions of assets can be tracked.

In the circumstances, the effectiveness on the controls on assets could not be confirmed.

3. Grounded and Unserviceable Vehicles

Review of the fixed assets register maintained by the Authority revealed that the Authority had a number of grounded and unserviceable motor vehicles. It was further noted that there was no disposal plan prepared during the year under review. In addition, physical verification carried out in the month of August, 2025 in the regional offices revealed that a motorcycle which had been boarded since 2015 was yet to be disposed.

In the circumstances, the effectiveness on the controls on assets could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025