




**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*



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<b>REPORT</b>	
DATE: 02 FEB 2022	DAY: Wed
TABLED BY:	The Majority Whip Hon. E. Wanjau <b>OF</b>
CLERK-AT THE-TABLE:	Finlay Mumbuki

**THE AUDITOR-GENERAL**

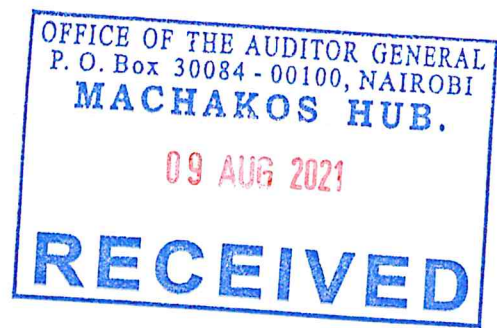
**ON**

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**MAKUENI COUNTY SAND CONSERVATION  
AND UTILIZATION AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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**MAKUENI COUNTY SAND CONSERVATION AND UTILIZATION  
AUTHORITY**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2019**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

Makueni County Sand Conservation and Utilization Authority  
Annual Reports and Financial Statements  
For the year ended June 30, 2019

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## **Makueni County Sand Conservation and Utilization Authority**

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#### **KEY ENTITY INFORMATION**

##### **Background information**

The Makueni County Sand Conservation and Utilization Authority was established by the Makueni County Sand Conservation and Utilisation Act, 2015 of the County Assembly of Makueni on 13<sup>th</sup> February 2015. At cabinet level, the Authority is represented by the Executive Committee Member for Water, Irrigation and Environment, who is responsible for the general policy and strategic direction of the Authority. The Authority is domiciled in Kenya and has its head office at Wote Town, Makueni.

##### **Principal Activities**

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilisation of sand and provide for protection of environment and equitable sharing of the accruing benefits.

##### **Vision**

To be a leading Sand Authority in sand conservation and utilization activities, for sustainable development in the world.

##### **Mission**

To conserve, manage and regulate sand utilization through community participation to ensure sustainable environment and socio-economic benefits to our community.

##### **Our Core Values**

- Public participation
- Efficiency
- Responsiveness
- Collaboration
- Integrity

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**Quality Objectives**

1. Strive to rehabilitate, conserve and restore 10% of depleted sand harvesting sites per annum.
2. To construct three (3) sand dams annually.
3. To engage the public in community enforcement Barazas once annually in 25 wards.

**Directors**

The Directors who served the entity during the year/period were as follows:

<b>NO.</b>	<b>NAME</b>	<b>POSITION</b>	<b>DATE OF APPOINTMENT</b>	<b>DATE LEFT</b>
1	Dr. Mussolini Kithome	Chairman	01-May-17	Active
2	Ms. Halinishi Yusuf	Managing Director	12-Jun-17	Active
3	Anne Muasya	Member	01-Sep-15	Active
4	Daniel Kilonzo	Director	01-Jul-15	Active
5	Anthony Kimeu	Director	01-Jul-15	Active
6	Arch. Cosmas Maweu	Director	01-May-17	Active
7	Dr. Stephen Mailu	Director	01-May-17	Active
8	Daniel Mbuvi	Director	01-Sep-15	Active
9	Florence Obunga	Director	01-Sep-15	Active
10	Patricia Mukua	Director	01-Sep-15	Active
11	Stephen Ngao	Director	01-Jul-16	Active

**Corporate Secretary**

**Corporate Headquarters**

Telkom Building

P.O. Box 78-90300

Wote, Makueni.

**Corporate Contacts**

Telephone: (254) 708274961

E-mail: sandauthority@makueni.go.ke

Website: [www.makueni.go.ke](http://www.makueni.go.ke)

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**Corporate Bankers**

Kenya Commercial Bank

Wote Branch

Wote, Makueni

**Independent Auditors**

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

**Principal Legal Advisers**

1. The Legal Department  
Makueni County Government  
Wote, Makueni
  
2. Nyamu &Nyamu Co. Advocates  
Mayfair Centre 1st Floor  
Ralph Buche Rd  
City Square Nairobi

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**THE BOARD OF DIRECTORS**




 <p>Dr. Mussolini Kithome Chairman</p>	<p>Date of Birth: November 11, 1958 PhD Department of Food and Land Resources with 30 years' experience in environment and natural resource management.</p> <p>Appointed to board on 1 May 2017 as a Director. Appointed Board Chairman from 1 December 2017.</p>
 <p>Mr. Daniel M. Kilonzo</p>	<p>-Date of Birth: 21<sup>st</sup> January 1957 -BSc in Range Management, Diploma in Range Management with 39 years' experience in natural resource management.</p> <p>Appointed on 1 July, 2015</p>



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 <p>Ms. Anne M. Muasya</p>	<p>Date of Birth: 13<sup>th</sup> August 1954 Bachelor of Education (Arts) with 30 years in administration in a public university.</p> <p>Appointed on 1 September 2015</p>
 <p>Mr. Anthony Kimeu</p>	<p>Date of Birth: 1967</p> <p>15 years Social Worker on projects revolving around water and agriculture</p> <p>Appointed on 1 July 2015</p>
 <p>Arch. Cosmas Josphat Muendo Maweu</p>	<p>Date of Birth: 15<sup>th</sup> April 1954</p> <p>MSc in Economics in Urban Development with 33 years in Civil Service.</p> <p>Appointed on 1 May 2017</p>

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		<p>Date of Birth: 23rd April, 1983 Ph.D Environmental Chemistry with 10 years' experience in research.</p> <p>Appointed on 1 May 2017</p>
<p>Dr. Stephen Nzioki Mailu, Ph.D Environmental Chemist</p>		
		<p>Date of birth:16<sup>th</sup> June 1983 Master of Arts in Development Studies, specializing in Environment and Sustainable Development with 10 years in natural resource management.</p> <p>Appointed on 12 June 2017.</p>
<p>Ms. Halinishi Yusuf Managing Director</p>		

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**MANAGEMENT TEAM**

 <p><b>Ms. Halinishi Yusuf</b> Master of Arts in Development Studies, specializing in Environment and Sustainable Development</p>	<p>Managing Director</p>
 <p><b>Mr. Jackson Muthaisu</b> Water specialist</p>	<p>Director, conservation &amp; Utilization</p>

## CHAIRMAN'S STATEMENT

### Introduction


Regulation of sand harvesting was for the last 2 years seen as a Makueni issue; one that a lot of people had not understood its importance. Steadily, the conversation is starting to stir up debates at the national level. Nearly every week, national media carry a story on outcry over unregulated sand harvesting in the rivers, L. Victoria and most recently, Diani beach in South Coast Kenya. Incidentally, in May 2019, United Nations Environment Programme published a report on *Sand and Sand Sustainability; Finding new solutions for environmental governance of global sand resources*. This becomes a landmark entry into the global conversation that will lead to national commitments to regulate sand harvesting. The main recommendation from the report is that in order for conservation and development aspirations to be attained, there must be legislations to govern the utilization of sand, a milestone Makueni County has already achieved.

The Authority, as the lead agency of the Government of Makueni County, has made huge strides in regulating sand harvesting and has started exploring value addition to the natural resource that offers a huge economic potential for the County and the people of Makueni.

### Future outlook

In the long term, the Authority envisages a sand based flagship project that will focus on sand value addition. Developing a high impact and sustainable sand based flagship project will contribute to attainment of the overarching goal of socio economic transformation as spelt out in the Makueni County Vision 2025.

However, low hanging fruits such as making special products such as cabros and bio sand filters will be commenced to add value to sand and create opportunities for employment while addressing construction demand and water safety respectively.



Dr. Mussolini Kithome  
Chairman

## REPORT OF THE CHIEF EXECUTIVE OFFICER

In the reporting period of 2018/19, the Authority attained the following milestones as per the implementation plan:

a. **Public sensitization and awareness creation:** For co-management of natural resources to be successful, rigorous education and sensitization on the importance of sustainable utilization and the equitable benefit sharing of revenues accruing cannot be over emphasized. Different approaches have been used to carry out sensitization including:

- Carrying out public awareness and civic education activities on the importance of sand conservation and creating awareness on the Makueni Sand Conservation and Utilization Act, 2015.
- The Authority has also used local, national and international media to highlight issues around sand conservation and utilization and the efforts and milestones the County has made in dealing with the issue. Local FM stations, national television and print media were used.
- The Authority also distributed over 1500 copies of the Act and Regulations to various segments of the community including local community members, government officers and non-state actors.
- The Authority participated in the 2019 Makueni County ASK show and also had an exhibition during the national celebrations to mark the World Day to Combat Desertification held in Makueni. Such for a served to educate key stakeholders, create publicity of the Authority and helped gather useful feedback.

## Makueni County Sand Conservation and Utilization Authority

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- The Authority printed and disseminated 1000 information brochures that summarizes the history, achievements of the Authority and a section on popular issues on the sand Act. Additionally, a service charter has been printed and displayed at the Authority's office and a webpage developed and hosted on the County's website. All these help in creating publicity and recognition for the institution as well as educating the masses.

There has been notable change of perception and behavior recorded in areas where illegal sand harvesting has stopped. Similarly, more and more community members are volunteering information and their time to report cases of unregulated sand harvesting and even do community policing. Level of compliance is also indicated by the increasing inquiries on procedures for complying with the law especially for local sand dealers and project proponents. The inquiries by locals on how to handle the sand deposited in their farms also indicates the recognition that a law and an institution to guide sand issues exist.

- b. **Strategic partnerships and linkage creation:** In 2017, the Sand Authority entered into an MoU with the Africa Sand Dam Foundation (ASDF), a local Non-Governmental Organization that is famed for construction of sand dams and supporting small holder irrigation. They provide technical expertise at a much lower cost than contractors but most importantly, their sand dams structurally sound guaranteeing low or no risk of being washed away. To advance the partnership, in February 2019, a tripartite agreement involving the Authority, ASDF and their UK based donor, Excellent Development (ED) in a pilot co-funding project was signed. The sharing formula agreed in the pilot was 60:40 sharing for ASDF and the Sand Authority respectively. Within this pilot, 3 sand dams namely Wendo wa Kalindiloni along Kiboko river in Makindu Ward, Ilengeni sand dam along Ilengeni river in Ilima Ward and Kithunthi sand dam along Ngutwa river in Kikumini Muvau Ward were construction at half the cost for the Authority. Other than just co-funding, the community model of encouraging community driven investment where they commit to provide local materials and labour was applied. Though slow, it creates deep sense of ownership of the projects more than in the top down kind of investment.

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The successful pilot has led to a longer term tripartite agreement that will ensure the County's 2000 sand dams ambitious plan by 2022 is steadily approached.

Resource mobilization efforts with these three partners as well as with other County departments has been beefed up and will be deliberately explored in the 2019-20 financial period.

**c. Conservation activities:**

**Regulation of sand harvesting:** Unregulated and unsustainable harvesting of sand has detrimental effects to the environment, causes water pollution and infrastructure destruction among others. The Act requires that sites for sand harvesting are assessed and designated. These areas should not be near water sources and at least 100 meters from infrastructure such as sand dams, bridges etc. Scooping on the banks is also prohibited to avoid weakening of the river banks that leads to erosion. As a requirement, the Authority designated sites for local use sand harvesting in 25 Wards out of the 30. Thus, dealers who are permitted to harvest sand for use within Makueni County are directed to the designated sites. Similarly, the Authority closed the sites that had been optimally harvested to allow rejuvenation.

**Construction of sand dams:** The Authority has constructed 4 sand dams within the year in Kiima Kiu Kalanzoni, Makindu, Ilima and Kikumini-Muvau Wards. Three of these were constructed under the tripartite agreement between the Authority, Excellent Development and Africa Sand Dam Foundation signed in February 2019 for a co funding pilot project. The 4<sup>th</sup> sand dam was constructed with 100% funding from the Authority implemented under the MoU with ASFD where they provide technical expertise. These sand dams will spur agricultural activities around as water will be easily available and for longer periods. The local community will also travel shorter distances to fetch water unlike before eg in Ilengeni and Nzeveni kwa kalu sand dam.

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**Tree growing:** Excess sand removal exercise carried out in Marwa dam in Kiima Kiu Kalanzoni ward 2018/19 led to collection of revenue whose 55 % (50% for conservation and 5% for local community) amounting to Ksh. 858,550 be realized. Through public participation and limited by the amount at hand, the local community prioritized greening Marwa through supporting rain water harvesting at Marwa Primary School. The school with a population of 550 pupils had previous support of a greenhouse nursery and tanks from Kenya Forest Service but with inadequate roof guttering and storage, the school could hardly support the nursery and availing water for cooking for students and basic hygiene. With the support of the Authority, the school roof catchment has been guttered and an extra 2 water tanks of 10,000 liters each donated to the school. This is in line with the County's clarion call for installing at least 2- 10,000 liter tanks per household/ institution. A rigorous mentorship to support the tree growing will be on going with support from the county administration.

Additionally, the Authority supported the Ulu community initiative with 330 trees, contributed to greening on the Kilome Sub County offices with a contribution of 430 trees as well as supported 50 farmers with 300 mango seedlings as a startup motivation to fruit farming using the water availed by the recently constructed Kwa Kalu sand dam along Ikolya river in Kiima Kiu Kalanzoni.

Such initiatives not only build the name of the institution in supporting community initiatives but also contribute to the efforts the County and national governments are doing to mitigate climate change by increasing forest cover.

- d. **Enforcement Activities:** Illegal sand harvesting cases especially for use outside the County have been significantly controlled. The historical illegal sand harvesting hotspots such as Kilome Sub county, Kwa Mulu area in Emali, Tulimani in Mbooni and parts of Kibwezi East have had very few cases reported. Community policing has also been embraced manifested through community reporting any case of unregulated or illegal sand activities in their localities. There has also been increased compliance depicted by the increase in payment of cess as well as the increasing number of inquiries on procedures for acquiring sand for local use. As



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the local community understands the importance of co-management, enforcement drastically reduces.

- e. **Revenue generation:** With a total of 16 point of sale machines across the County, the Authority raised a total of Ksh. 25,208,000 from local sand cess against the Ksh. 30,000,000 target for 2018/2019 financial year. This is 137% increase from the last year's revenue collection of Kshs 10,630,680.
- f. **Review of the Act:** Through a consultative approach, the Authority began the review of the Makueni County Sand Conservation and Utilization Act, 2015. A Bill seeking to amend the Act in order to provide clarity for the effective implementation of this Act was submitted and tabled in cabinet and adopted. Major amendments proposed are that:
- The Bill seeks to repeal the creation of County Sand Conservation Fund to allow the Accounting Officer (the Managing Director) to manage A in A without having it passing through a Fund to ease management.
  - The Bill replaces Sand Resource Users Associations with Water Resource Users Associations as provided for in the Water Act, 2016. It is envisaged that by strengthening WRUAs, a sense of co-management will be entrenched in catchment conservation and community centered management of sand resources in particular.
  - It also proposes new percentages for sharing revenue raised from the sale of sand for: conservation purposes, the Sand Authority, Water Resource Users Associations(WRUAs) and the County Government as 50%, 25%, 15% and 10% respectively. WRUAs have been included to gain financial support to their operations and conservation work as lack of resource allocation to community structures critical in natural resources co-management has in the past curtailed their growth and effectiveness.
  - The Bill further seeks to provide clearer penalties for the violations of the provisions of the Act as well as creating new offences which were not provided for in the principal Act.

- g. Enactment of the Bill shall ensure conservation and sustainable utilization of sand resource and increased water availability as envisaged through effective administration of the Act.

### **The Future**

With sanity in management of sand largely restored across the County, the Authority has set its growth trajectory aiming at achieving a balance between conservation and sustainable exploitation of sand resources. In the short to medium term, the Authority is laying out mechanisms to increase its effort in construction of sand dams. This includes through fundraising from development partners and sale of excess sand at a commercial scale to generate revenue that can be ploughed back into sand dam construction. Sand dams have been tried and proven to significantly boost water retention in river channels through holding sand. Increased water retention and recharging of aquifers has enabled agribusiness along the rivers boosting food security and contributing to disposable income. The sand accumulated at the sand dams can be harvested to a sustainable level to generate revenue for the County. In the long term, the Authority envisages a sand based flagship project that will focus on sand value addition. Makueni County now boasts the presence of huge amounts of high quality sand in many of her dry riverbeds compared to any other county in Kenya. However, despite the occurrence of the large quantities of high quality sand, there's hardly any exploitation of its vast processing or manufacturing potential. Developing a high impact and sustainable sand based flagship project will contribute to attainment of the overarching goal of socio economic transformation as spelt out in the Makueni County Vision 2025.

Some of the specific aspects for future growth include:

1. *Enhancement of revenue generation*- The Authority will be piloting a sand yard in Sultan Hamud that will become the sand depot that allows sand dealers to buy and transport sand anywhere including outside the County. Having a yard means only a limited number of vehicles will be allowed to get into the rivers to ferry sand to the yard. As a result, controlled harvesting will be done, cases of illegal harvesting will be

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- curbed as well as general degradation such as pollution of water and destruction of access routes. More revenue will be generated this way creating a bigger fund for conservation. A controlled harvesting approach will be used to harvest the excess sand from the other parts of the County that cannot be serviced by the pilot yard.
2. *Sand based flagship project-* Despite the occurrence of the large quantities of high quality sand in Makueni, there's hardly any exploitation of its vast processing or manufacturing potential. Developing a high impact and sustainable sand based flagship project will contribute to attainment of the overarching goal of socio economic transformation as spelt out in the Makueni County Vision 2025. The Authority will be exploring developing partnerships with development partner and private sector to initiate sand value addition to make sand products such as glass, paints etc. This will serve as a long term plan due to the level of financial investment required. Additionally, the Authority will be exploring the creation of cottage industries to produce special sand products such as cabros, fencing posts, curbs etc. These would provide meaningful employment opportunities for the youth especially and could be strategic to have all county projects purchasing such products from youth groups. The Authority will also be piloting production of sand bio filters that are used for household water purification. The scaled up project will be critical in ensuring the County avails water that attains basic safety for human consumption as 67% of Makueni citizens drink water from unimproved sources. This in turn will greatly reduce the prevalence of water borne diseases.
  3. *Sand dam construction-* With the ambitious plan of constructing 2000 sand dams across Makueni rivers as stated in the CIDP 2018-22, rigorous fundraising will be carried out to attain resources to fund the construction. Strategic partnerships such as the one with ASFD and ED will be strengthened and more sought. Additionally, regulated sand harvesting will be carried out to offload areas with excess sand and have the revenue ploughed back in the locality to build sand dams. Sand loading and unskilled labor during sand dam construction will meaningfully engage the youth in those areas as well.

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4. *Linkages and partnerships*- Resource mobilization requires strategic partnerships building with other players such as non-state actors including the civil society organizations, both local and international and the private sector. The Authority will bolster its efforts in seeking both financial and non-financial resources to support the Authority's vision and mandate.



**Ms. Halinishi Yusuf**

**Managing Director**

**CORPORATE GOVERNANCE STATEMENT**

The importance of good corporate governance cannot be overemphasized. Weaknesses in good governance practices in public and private entities have far reaching negative consequences to the entity and the public at large and continue to have negative impact for the various stakeholders and by extension to development as a whole. The Makueni County Sand Conservation and Utilization Authority continues to fully adhere to its obligations as stipulated in the Makueni County Sand Conservation and Utilization Act, 2015 that established it as a sand regulatory agency as well as abiding by the tenets of the Constitution of Kenya and all other laws.

The Authority's Board of Directors has the appropriate mix of skills, knowledge and experience to perform its role effectively. The areas of expertise of the current Board of Directors are projects management, natural resources management and conservation, public administration and economics among others. The Directors biographies appear under section II of this report.

During the reporting period, four (4) full board meetings were held with full attendance by the six (6) Directors who had been appointed as at the reporting period.

In order to effectively and efficiently carry out its governance roles and responsibilities, the Board has established Committees. Currently, the Board has four standing Committees

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Namely Audit committee, Finance Committee, Conservation and Utilization Committee and Enforcement and Compliance committee. Board Committees. Each committee has formal terms of reference which have been approved by the Board.

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**MANAGEMENT DISCUSSION AND ANALYSIS**

Within the year under review, the Authority made steady progress in implementing the year's work plan in the most efficient and effective way. Core to the mandate of the Authority is conservation and sustainable utilization of sand which has satisfactorily been achieved. Key development activities carried out in the year were construction of sand dams. The Authority exceeded the planned number of three (3) sand dams and managed to construct four (4) following co- financing partnership with the Africa Sand Dam Foundation and Excellent Development was agreed upon and successfully implemented. The Authority also began the piloting of a value addition project on development of water sand bio filters aimed at championing safe water at household levels. This project is envisaged to create employment for the youth as well as contribute to the County's agenda of availing safe water for domestic use.

The Authority adhered to all statutory requirements including Public Procurement and Disposal Act, regulations and rules, Remittance of statutory deduction which include, repayment of Higher Education Loans Board (HELB) dues by beneficiary employees, statutory taxes, National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), Pay As You Earn (PAYE) and Savings and Credit Cooperatives (SACCO) and Bank remittances.

Simple cost-benefit analysis to ensure value for money was done through internal controls in procurement. Basic processes of identifying misuse or inefficient use of financial resources, the identification of errors in allocations of expenditure or income are in place. Within the reporting period, the overall operational and financial performance was satisfactory.

Major risks facing the Authority include:

*Operational risk:* The Authority's work is at times hampered by logistical issues such as lack of transport. Efficient and adequate mobility is critical for a Regulatory body like the Authority.

*Financial risk:* The Authority had been relying heavily on budgetary allocation from the County. Budget slashes, many a time, expose the Authority to financial constraints. The

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Authority is increasingly collecting revenue from sand and exploring other sources of income such as private sector and development agencies to support its work.

*Legal risk:* Some gaps have been identified in the Makueni County Sand Conservation and Utilization Act, 2015 that hamper its implementation and expose the Authority to possible legal issues. Amendments have however been proposed and an amendment Bill submitted to the Makueni County Assembly for consideration.

*Political risk:* Sand issues are highly emotive and easily politicized due to the powerful cartels that used to control the resource before the enactment of the law. Often, issues are politicized and this adversely affects the Authority's progress. The Authority has however enhanced discussions and information sharing sessions with the members of the County Assembly as well as awareness creation for the Makueni Citizenry to enhance understanding of the tenets of the law.

### **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

While dispensing her mandate as the lead agency in all matters to sand in the County, the Authority has made efforts to also give back to the community. The Authority does not have a structured way of carrying out CSR activities but simply responds to requests by sections of the community.

In the 2018/19 FY, the Authority carried out the following initiatives:

- i) *Assisting groups constructing sand dams:* The Authority has been assisting community self-help groups involved in construction of sand dams through providing transport to ferry local materials, eg hard core to the construction site. This has helped a lot to speed up the completion of the sand dams and ease the work of the community members who are required to offer community contribution to projects through provision of local material and unskilled labour. A total of seven (7) different groups were assisted this year.
  
- ii) *Greening of public spaces:* The Authority supported various initiatives with seedlings in an effort to green spaces. The Authority supported the Ulu community initiative

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with 330 seedlings, contributed to greening on the Kilome Sub County offices with a contribution of 430 seedlings as well as supported 50 farmers with 300 mango seedlings as a start-up motivation to fruit farming using the water availed by the recently constructed Kwa Kalu sand dam along Ikolya river in Kiima Kiu Kalanzoni.

- iii) Supported Aka Sivitali Ulu campaign aimed at raising funds to build a hospital facility in Kiima Kiu with seedlings during the medical camp organized with various activities that will culminate in establishment of the hospital.
- iv) The Authority began the construction of Bio Sand Filters which will purvey water at the household level. The pilot activity will be concluded in the 2019/20 FY with distribution of 24 BSFs to households as a pilot phase. These are envisaged to reduce water borne diseases.



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**REPORT OF THE DIRECTORS**

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**Principal activities**

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilisation of sand and provide for protection of environment and equitable sharing of the accruing benefits.

**Results**

The results of the entity for the year ended June 30, 2019 are set out on page ..... Below is summary of the profit or loss made during the year.

	Kshs
Total Revenues	68,236,197.21
Total Expenditure	<u>77,125,196.77</u>
Operating Profit/Loss	<u>(8,888,999.56)</u>

**Directors**

The members of the Board of Directors who served during the year are shown on page iv. None of the Directors is retiring during the year.

**Auditors**

The Auditor General is responsible for the statutory audit of the *Authority* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and (section 10) of the Makueni County Sand Conservation and Utilization Act, 2015 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authorities financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authorities financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Makueni County Sand Conservation and Utilization Authority. The Directors are of the opinion that the Authorities financial statements give a true and fair view of the state of the Authorities transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Authority's financial statements were approved by the Board on 19<sup>th</sup> September 2019 and signed on its behalf by:



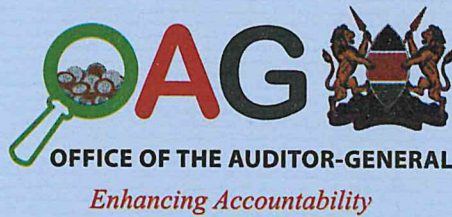
\_\_\_\_\_  
Managing Director



\_\_\_\_\_  
Board Chairman

# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY SAND CONSERVATION AND UTILIZATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Makueni County Sand Conservation and Utilization Authority set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2019, and statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 Makueni County Sand Conservation and Utilization Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and Makueni Sand Conservation and Utilization Act, 2015.

#### Basis for Qualified Opinion

##### Material Uncertainty Related to Going Concern

The statement of profit and loss and other comprehensive income reflects own source revenue of Kshs.25,208,000 against an operating expenditure of Kshs.77,125,197. This is indicative of the Authority's inability to operate as a going concern. In order to sustain its operations, the County Government of Makueni funded the Authority to the tune of Kshs.34,033,653;(2018-Kshs.35,678,565). Further, the statement of financial position shows that the Authority had total current liabilities of Kshs.29,971,111 which exceeds its total current assets of Kshs.25,706,994 by Kshs.4,264,117. In addition, an analysis of the Authority's financial performance indicates a deterioration from a net profit of Kshs.6,949,123 in 2018 to a loss of Ksh.8,889,000 (a drop by Kshs.15,838,123) resulting in a negative balance of retained earnings of Kshs.10,987,994;(2018-Kshs.2,098,995).

The above conditions cast significant doubt on the ability of the Authority to continue as a going concern. However, this material uncertainty has not been disclosed in the financial statements in accordance with the standards.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County Sand Conservation and Utilization Authority Management in accordance with ISSAI 130 on 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.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **Under-Staffing of Revenue Collection Department**

During the year under review, the Authority operated with a total of fifty-three (53) employees, out of whom fifty-two (52) were employed on contract basis. Further, of the employees on contract, 18 served in the role of revenue collection clerks which may not be adequate due to the vastness of the County. Out of the budgeted revenue collection of Kshs.30,000,000 from domestic sand cess, Kshs.25,000,000 was realized resulting in a shortfall of Kshs.5,000,000. This shortfall may be attributed to the shortage of revenue collection officers. The Authority may be losing revenue due to inadequate staffing.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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**

#### **1.0 Unauthorized Over-Expenditure**

The statement of comparison of budget and actual amounts reflects over expenditure variances of Kshs.4,147,880 for which no explanations have been rendered as detailed below:

<b>Expenditure</b>	<b>Final Budget (Kshs.)</b>	<b>Actual on Comparable Basis (Kshs.)</b>	<b>Variance (Kshs.)</b>	<b>Percentage %</b>
Staff Costs	19,115,912	20,836,160	(1,720,248)	(9)
Directors' Emoluments	1,660,000	1,887,255	(227,255)	(14)
Electricity and Water	58,000	61,880	(3,880)	(7)
Transportation, Travelling and Subsistence	1,936,250	2,103,388	(167,138)	(9)
Staff Training Expenses	60,000	71,200	(11,200)	(19)
Hospitality supplies and Services	1,050,935	1,385,220	(334,285)	(32)
Office and General Supplies and Services	630,000	897,222	(267,222)	(42)
Repairs and Maintenance	900,000	958,722	(58,722)	(7)
Coordination of Sand Management Committees	800,000	884,619	(84,619)	(11)
Support Community Innovate Infrastructure	1,340,000	1,912,120	(572,120)	(43)
Public Awareness on Sand Conservation	2,456,923	2,727,971	(271,048)	(11)
Construction Sand Dams and Extraction of Sand	7,500,000	7,551,677	(51,677)	(1)
Other Operating Expenses	810,000	1,188,467	(378,467)	(47)
<b>Total</b>	<b>38,318,020</b>	<b>42,465,901</b>	<b>(4,147,880)</b>	<b>(11)</b>

This is contrary to Section 41(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, that states that total payments for a detailed budget line in a given fiscal year may not exceed the reallocations issued against that budget line and Section 45(2(a) of the Public Procurement and Asset Disposal Act, 2015, that requires the procurement of goods, works and services of a public entity to be within the approved budget.

To this extent, the Authority is in breach of law.

## **2.0 Lack of Approved Scheme of Service and Human Resource Policy**

The Authority operates without an approved scheme of service and human resource policy contrary to the provisions of Section B2(1 and 2) of the Public Service Commission's Human Resource Policies and Procedures Manual for Public Service, 2016, which requires public service entities to prepare Human Resource Plans and to develop annual recruitment plans. Consequently, there was no basis for assessing the objectivity of the staff recruitment, placement and retention, promotion, career progression and compensation criteria being applied.

In the circumstances, the Authority breached the law.

### **3.0 Revenue Appropriation**

As reported previously and contrary to the provisions of Section 35 of the Makueni County Sand Conservation and Utilization Act, 2015 the revenue from sale of sand was not shared proportionately to the Conservation Fund, Sand Authority, County Government and Local Community during the year under review. Instead, the amount has been retained in the Authority's bank accounts and included under trade and other payables balance of Kshs.29,471,110; (2018-Kshs.13,857,435).

Therefore, the Authority is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 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. Weak Controls Over Revenue Collection**

Review of the controls around the revenue collection processes revealed the following control weaknesses: -

- Point of sale receipts issued for cess collected is done in one copy only without a duplicate copy for revenue accounting internally,
- Except for the receipt serial number, the Authority's official receipts lack unique security features, such as a watermark, which make them prone to counterfeiting without being detected,
- There is no provision for issuance of receipts for revenues received via the Mpesa till Number making it prone to abuse, and
- Authorization for the release of impounded trucks is by way of a letter whose approval is not restricted to senior officers and are not consistently referenced which could be abused.

## **2. Controls Over the Authority's Assets**

The statement of financial position reflects property, plant and equipment balance of Kshs.4,781,890 which is further detailed under Note 11 to the financial statements. Included in the balance are loose assets which have not been tagged comprising of office equipment, furniture and fittings; computers and related equipment valued at Kshs.514,632 and Kshs.488,148 respectively both totalling Kshs.1,002,780. In the absence of a fixed asset register and tagging of the individual assets, the loose assets are exposed to the risk of loss due to pilferage.

In the circumstances, the strength of the internal controls measures on assets worth Kshs.1,002,780 could not be confirmed.

## **3. Lack of Internal Audit Function**

Section 153(1) of the Public Finance Management (County Governments) Regulations, 2015 requires the internal auditors to review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities. However, although the Management indicated that the Authority had put in place an arrangement with the County Government of Makueni to get services of the County internal audit function from time to time, no reports were provided for audit review.

In the circumstances, the role of the Authority's internal audit function for the year under review 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 control, 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 Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of the intention to terminate the Authority or 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 are in compliance 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 the Authority 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may



occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 December, 2021

Makueni County Sand Conservation and Utilization Authority

Annual Reports and Financial Statements

For the year ended June 30, 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED 30 JUNE 2019

	Note	2019 Kshs	2018 <u>Kshs.</u>
<b><u>REVENUES:</u></b>			
Revenue	6	25,208,000.00	10,630,680.50
Grants from County Government	7	34,033,653.21	35,678,564.88
Other Incomes	8	<u>8,994,544.00</u>	<u>8,837,471.15</u>
<b>TOTAL REVENUES</b>		<u>68,236,197.21</u>	<u>55,146,716.53</u>
<b><u>OPERATING EXPENSES:</u></b>			
Administration Expenses	9	50,368,668.93	35,571,721.45
Appropriation of Revenue	21	25,208,000.00	10,630,680.50
Depreciation of property, plant and equipment	11	<u>1,548,527.84</u>	<u>1,995,191.16</u>
<b>TOTAL OPERATING EXPENSES</b>		<u>77,125,196.77</u>	<u>48,197,593.11</u>
OPERATING PROFIT/LOSS	10	(8,888,999.56)	6,949,123.42
Tax charge			-
<b>PROFIT/LOSS AFTER TAXATION</b>		<u>(8,888,999.56)</u>	<u>6,949,123.42</u>



Makueni County Sand Conservation and Utilization Authority

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For the year ended June 30, 2019

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2019 Kshs	2018 Kshs
<b>NON CURRENT ASSETS</b>			
Property and equipment	11	4,781,889.93	6,230,517.77
<b>Total Non-Current Assets</b>		<u>4,781,889.93</u>	<u>6,230,517.77</u>
<b>CURRENT ASSETS</b>			
Cash and bank balances	13	25,581,193.90	12,285,679.32
Trade and other receivables	12	125,800.00	4,648,110.18
Total Current Assets		<u>25,706,993.90</u>	<u>16,933,789.50</u>
<b>TOTAL ASSETS</b>		<u>30,488,883.83</u>	<u>23,164,307.27</u>
<b>EQUITIES AND LIABILITEIS</b>			
<b>Capital and Reserves</b>			
Retained earnings	14	(10,987,994.33)	(2,098,994.77)
Capital Reserves	19	11,505,767.50	11,405,867.50
Total Equity		<u>517,773.17</u>	<u>9,306,872.73</u>
<b>CURRENT LIABILITES</b>			
Trade and other payables	15	29,471,110.66	13,857,434.54
Customer Deposits	16	500,000.00	
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u>30,488,883.83</u>	<u>23,164,307.27</u>


The financial statements were approved by the Board on 19/09/2019 2019 and signed on its behalf by:

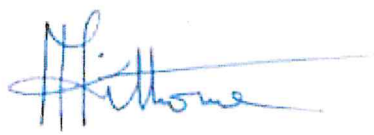
**Managing Director**  
Name: Halinishi Yusuf

**Accountant: ICPAK M/NO: 24324**  
Name: Daniel Mutua

**Chairman**  
Name: Mussolini Kithome

Sign: 

Sign: 

Sign: 

Makueni County Sand Conservation and Utilization Authority

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For the year ended June 30, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Retained earnings <u>Kshs.</u>	Capital Reserve <u>Kshs.</u>	Total <u>Kshs.</u>
<b>Year ended 30 JUNE 2018</b>			
As at 1 July 2017	(9,319,555.69)	9,815,867.50	496,311.81
Net profit for the year	6,949,123.42		6,949,123.42
Capital Fund Adjustment	<u>271,437.50</u>	<u>1,590,000.00</u>	<u>1,590,000.00</u> <u>271,437.50</u>
<b>At 30 June 2018</b>	<b><u>(2,098,994.77)</u></b>	<b><u>11,405,867.50</u></b>	<b><u>9,306,872.73</u></b>
<b>Year ended 30 June 2019</b>			
As at 1 July 2018	(2,098,994.77)	11,405,867.50	9,306,872.73
Net profit for the year	(8,888,999.56)		(8,888,999.56)
Capital Fund	<u>99,900.00</u>	<u>99,900.00</u>	<u>99,900.00</u>
<b>At 30 June 2019</b>	<b><u>(10,987,994.33)</u></b>	<b><u>11,505,767.50</u></b>	<b><u>517,773.17</u></b>

Makueni County Sand Conservation and Utilization Authority

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For the year ended June 30, 2019

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	NOTES	2019 KSH	2018 KSH
<b>OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	17	13,295,514.58	12,012,462.70
<b>Net cash generated from/(used in) operating activities</b>		<u>13,295,514.58</u>	<u>12,012,462.70</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	11	(99,900.00)	(1,590,000.00)
<b>Net cash generated from/(used in) investing activities</b>		<u>(99,900.00)</u>	<u>(1,590,000.00)</u>
<b>FINANCING ACTIVITIES</b>			
Receipts from Capital Grant	7	99,900.00	1,590,000.00
<b>Net cash generated from/(used in) financing activities</b>		<u>99,900.00</u>	<u>1,590,000.00</u>
Increase/(Decrease) In Cash and Cash Equivalents		13,295,514.58	12,012,462.70
Cash and Cash Equivalents at Beginning of Year	13	12,285,679.32	273,216.62
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	13	<u>25,581,193.90</u>	<u>12,285,679.32</u>

Makueni County Sand Conservation and Utilization Authority

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

SAND AUTHORITY BUDGET	2018/19 BUDGET ESTIMATES	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	DIFFERENCE	NOTES
<b>INCOME</b>							
County government grant	89,000,000	34,133,553	-	34,133,553	34,133,553	-	
Revenue appropriation 2017/18 (local sand cess)	13,000,000		8,504,544	8,504,544	8,504,544	-	
Commercial sand sales (Local sand cess AIA)	149,969,235	30,000,000	-	30,000,000	25,208,000	(4,792,000)	Revenue collected was 4.7m less the budget due to the number of revenue centres operational during the year
Other income			490,000	490,000	490,000	-	
Surplus from 2017/2018				3,018,511	3,018,511	-	
<b>Total Income</b>	<b>251,969,235</b>	<b>64,133,553</b>	<b>12,013,055</b>	<b>76,146,608</b>	<b>71,354,608</b>	<b>(4,792,000)</b>	
<b>RECURRENT EXPENDITURE</b>							
Compensation to employees							



Makueni County Sand Conservation and Utilization Authority

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Salaries & wages -	29,339,235	18,961,368	154,544	19,115,912	20,836,160	(1,720,248)	Under budgeted due to insufficient funds and employment of 12 revenue clerks
<b>Sub totals</b>	<b>29,339,235</b>	<b>18,961,368</b>	<b>154,544</b>	<b>19,115,912</b>	<b>20,836,160</b>	<b>(1,720,248)</b>	
Use of goods and services			-				
Purchase of Motor vehicle	4,800,000		-				
Utilities, Supplies and Services	-		-				
Utilities-Electricity	50,000		-				
Utilities-Water and Sewerage	50,000	58,000	-	58,000	61,880	(3,880)	
Communication Supplies and Services	-		-			-	
Communication-Telephone	200,000	159,000	-	159,000	159,550	(550)	
Communication-Internet Connection	400,000	345,000	-	345,000	340,692	4,308	
Communication-Courier & Postal Services	50,000		-			-	
Domestic Travel and Subsistence and other Transportation costs	-		-			-	

**Makueni County Sand Conservation and Utilization Authority**

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**For the year ended June 30, 2019**

Domestic Travel Costs	800,000	57,250	-	57,250	84,790	(27,540)	Facilitating revenue clerks to bank revenue collected
Daily Subsistence Allowance	1,500,000	1,879,000	-	1,879,000	2,018,598	(139,598)	Monitoring increased revenue collection activities
Foreign Travel and Subsistence and other Transportation costs	-		-			-	
Foreign Travel Costs	1,000,000		-			-	
Foreign Daily subsistence allowance	2,000,000		-			-	
Printing, Advertising and Information Supplies and Services	-		-			-	
Publishing & printing Services	1,000,000	5,000	-	5,000	2,000	3,000	
Subscription to Newspapers	50,000		-			-	
Advertising & Publicity	400,000	405,000	-	405,000	401,417	3,583	
Training Expenses	-		-			-	
Training Expenses Annual	3,500,000	60,000	-	60,000	49,000	11,000	
		23,000	-	23,000	22,200	800	

**Makueni County Sand Conservation and Utilization Authority**

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Subscription fees										
Hospitality supplies and Services	-									
Hospitality-Catering Services	1,020,000	1,050,935	-	1,050,935	1,385,220	(334,285)				Panari Hotel meeting with MCAs to review the proposed amendments to the act / Maanzoni workshop (activities not budgeted)
Insurance cost	-									
Medical insurance	2,500,000									
Insurance - vehicles, buildings	300,000									
Specialised Materials & Supplies	-									
Purchase of uniforms & clothing	650,000	180,000	-	180,000	182,800	(2,800)				
Office & General Supplies and Services	-									
Office & General Supplies-Stationary, Kitchen	600,000	550,000	-	550,000	614,422	(64,422)				Photocopying of acts/regulations/finance act during 46 public sensitization meetings
Research & Internship	330,000	80,000	-	80,000	100,000	(20,000)				Internship expenses which had not been budgeted

**Makueni County Sand Conservation and Utilization Authority**

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Office & General Supplies-Computer Accessories	330,000	-	-	-	-	-
Office & General Supplies-Sanitary	200,000	-	-	-	-	-
Fuels, Oils & Lubricants	-	-	-	-	-	-
Refined fuels, Oils & Lubricants	4,000,000	1,350,000	1,324,196	1,350,000	25,804	
<b>Other Operating Expenses</b>	-	-	-	-	-	-
Contracted professional Services	1,000,000	-	-	-	-	-
Board Allowance	7,000,000	1,660,000	1,887,255	1,660,000	(227,255)	The activity had been under budgeted
ISO certification		105,000	104,400	105,000	600	
Legal Fees	400,000	30,000	62,050	30,000	(32,050)	Payed Bond of Ksh 40,000 to our enforcement officer arrested at Kimba barrier
Office Rent	600,000	430,000	429,287	430,000	713	
Construction of office block	7,000,000	-	-	-	-	-

Makueni County Sand Conservation and Utilization Authority

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Review of legal framework	230,000	-	230,000	1,014,317	(784,317)	Facilitating County Assembly Environment and climate change committee in order to review the proposed amendments to the act at Panari Hotel, Nairobi, activity costed KSH 778,496 (Activity had not been budgeted)
Refurbishment of Buildings - Office	600,000	-	15,000	7,700	7,300	
Bank Charges				30,330	(30,330)	Bank charges not budgeted
		-			-	
<b>Sub Total</b>	<b>42,330,000</b>	<b>-</b>	<b>8,672,185</b>	<b>10,282,104</b>	<b>(1,609,919)</b>	
<b>Other current expenditures</b>						
<b>Routine Maintenance - other services</b>		-				
Maintenance Expenses-Motor Vehicles	5,300,000	-	900,000	958,722	(58,722)	Increased cost of vehicle repairs which was unforeseen
<b>Acquisition of Fixed Assets</b>	-	-			-	
Purchase of Office Furniture and Equipment	500,000	-	100,000	99,900	100	

**Makueni County Sand Conservation and Utilization Authority**

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Purchase of Computers & printers	800,000				-				-	
Purchase of Office Equipment	800,000				-				-	
Purchase of 2 Motorbikes					-				-	
Public awareness on sand conservation	3,000,000	2,100,000	356,923	2,456,923	2,727,971	(271,048)	Increased public awareness sensitization forums during the year, 46 meetings and the budget allocated was insufficient			
Sand enforcement operations	7,000,000	2,600,000	2,661,588	5,261,588	5,215,296	46,292				
Strengthening of Sand Management committees	4,800,000	800,000	-	800,000	884,619	(84,619)	Budget was insufficient for induction of the 36 Ward Sand Management Committees			
<b>SUB TOTAL</b>	<b>22,200,000</b>	<b>6,500,000</b>	<b>3,018,511</b>	<b>9,518,511</b>	<b>9,886,508</b>	<b>(367,997)</b>				
<b>Development expenditure</b>										
	45,000,000		7,500,000	7,500,000	7,551,677	(51,677)	Supply of more cement to Kithunthi Sand Dam due to increased depth of the trench than expected			
Construction of Sand Dams			1,340,000	1,340,000	1,912,120	(572,120)	Emergency cleaning of Marwa earth dam which had not been planned (costed Ksh 510,200)			
Innovation Infrastructure										

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Commercialization of Sand						-				-	
Purchase of 6 Isuzu tipper lorries	35,400,000					-				-	
Purchase of 3 double cabin patrol pick-ups	4,800,000					-				-	
Purchase of Back hoe (caterpillar)	10,000,000					-				-	
Fencing of 6 Yards with heavy concrete post	2,400,000					-				-	
Installation of CCTV cameras in 6 yards	1,500,000					-				-	
Purchase of 50 POS machines	1,000,000					-				-	
Hire of 6 yards	7,200,000					-				-	
						-				-	
Youth employment creation through income generating activities						-				-	
Piloting of Brick and Fencing post manufacturing Technology	30,800,000					-				-	
Piloting of Commercial Packaging of Sand	20,000,000					-				-	

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	30,000,000	30,000,000	30,000,000	25,208,000	4,792,000	Revenue collected was 4.7m less the budget due to the number of revenue centres operational during the year
Appropriation of revenue						
Sub Total	158,100,000	30,000,000	8,840,000	34,671,797	4,168,203	
<b>TOTAL</b>	<b>251,969,235</b>	<b>64,133,553</b>	<b>12,013,055</b>	<b>75,676,569</b>	<b>470,039</b>	
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,321,961)</b>	<b>(4,321,961)</b>	<b>-</b>



## Makueni County Sand Conservation and Utilization Authority

### Annual Reports and Financial Statements

For the year ended June 30, 2019

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#### NOTES TO THE FINANCIAL STATEMENTS

##### 1. GENERAL INFORMATION

Makueni County Sand Conservation & Utilisation Authority is established by and derives its authority and accountability from Makueni County Sand Conservation & Utilisation Act 2015. The entity is wholly owned by the Government of Makueni and is domiciled in Kenya. The entity's principal activity is Sand Conservation.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

##### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Authority's* accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Authority*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Makueni County Conservation and Utilization Act, 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)**

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee

***Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)***

- ii) Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

*The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.*

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)**

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2018.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a) Revenue recognition**

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the *Authority* and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, and when specific criteria have been met for each of the *Authority's* activities as described below.

- i) **Revenue from the sale of Sand** is recognized in the year in which the *Authority* issues Cess receipt to the customer.
- ii) **Grants from County Government** are recognized in the year in which the *Authority* actually receives such grants.

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

##### c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a Reducing balance depreciation method to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

**e) Trade and other receivables**

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**f) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**g) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Retirement benefit obligations**

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**i) Budget information**

The original budget for FY 2018-2019 was approved by the County Assembly on June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs 8,994,544 on the 2018-2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**u) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 6-13 of these financial statements.

**j) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**k) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**l) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Makueni County Sand Conservation and Utilization Authority**

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**5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY  
(Continued)**

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

**Provisions**

There were no provisions during the year



Makueni County Sand Conservation and Utilization Authority

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**6 REVENUE**

	<b>2019</b>	<b>2018</b>
	kshs	Kshs
Sand Cess	20,198,000.00	<b>5,833,680.50</b>
Fines & Penalties	2,247,000.00	<b>4,797,000.00</b>
Licensing	2,763,000.00	
Total Turnover	<u>25,208,000.00</u>	<u><b>10,630,680.50</b></u>

i.Sand Cess- represents amount of revenue collected by the Authority from sale of sand and licences

ii.Fines and Penalties -are charges imposed on impounded lorries and persons for illegal sand harvesting

**7 GRANTS FORM COUNTY GOVERNMENT**

	<b>2018-2019</b>	2017-2018
	Kshs	Kshs
Recurrent grants received	34,033,653.21	35,678,564.88
Capital grants recognized	99,900.00	1,590,000.00
<b>Total</b>	<b>34,133,553.21</b>	<b>37,268,564.88</b>

Detail analysis of grants received.

<b>County Government</b>	2019			2018
	Kshs	Kshs	Kshs	Kshs
<b>Name of the Entity sending the grant</b>	<b>Amount recognized to Statement of Comprehensive Income</b>	Amount recognized in capital grant.	Total grant income during the year	Total grant income during the year
Makueni County Government	34,033,653	99,900.00	34,133,553.21	37,268,565
<b>Total</b>	<b>34,033,653</b>	99,900.00	34,133,553.21	37,268,565

Makueni County Sand Conservation and Utilization Authority

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**8 OTHER INCOME**

	2018-2019	2017-2018
	Kshs	Kshs.
Directors account		707,400.00
Salaries paid by County Government		8,130,071.15
AIA recognized from 2017/2018 own revenue	8,504,544.00	
Insurance Compensation	490,000.00	
<b>Total Other Incomes</b>	<b>8,994,544.00</b>	<b>8,837,471.15</b>

-Advance payment of Ksh 490,000 paid to AAR insurance in February 2017 was reimbursed since the insurance contract did not proceed

**9 (a) ADMINISTRATION COSTS**

	2019 Kshs	2018 Kshs
Staff costs (3B)	20,836,160.00	15,744,994.05
Directors' emoluments	1,887,254.60	3,850,826.30
Electricity and water	61,880.00	39,290.00
Communication services and supplies	500,242.00	421,329.80
Transportation, travelling and subsistence	2,103,388.00	1,784,502.00
Advertising, printing, stationery and photocopying	403,417.00	114,640.00
Rent expenses	429,287.01	434,287.30
Staff training expenses	71,200.00	1,019,991.00
Hospitality supplies and services	1,385,220.00	900,270.00
Insurance costs		

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		87,210.00
Bank charges and commissions	30,330.32	21,274.00
Office and general supplies and services	897,222.00	623,427.00
Repairs and maintenance	958,722.00	1,527,484.00
Refined fuels, Oils & Lubricants	1,324,196.00	1,753,000.00
Security services		-
Coordination of Sand management committees	884,619.00	1,354,525.00
Support community innovate infrastructure	1,912,120.00	456,101.00
Public awareness on sand conservation	2,727,971.00	883,447.00
Sand enforcement operations	5,215,296.00	4,141,923.00
Construction Sand dams and Extraction of sand	7,551,677.00	74,990.00
Other operating expenses	<u>1,188,467.00</u>	<u>338,210.00</u>
<b>Total Adm Expenses</b>	<b><u>50,368,668.93</u></b>	<b><u>35,571,721.45</u></b>

**9 (b) STAFF COSTS**

	<b>2018-2019</b>	<b>2017-2018</b>
Salaries and allowances of permanent and contract employees	20,058,610.00	14,938,094.05
Compulsory national health insurance schemes	525,550.00	645,700.00
Compulsory national social security schemes	252,000.00	161,200.00
<b>Total</b>	<b>20,836,160.00</b>	<b>15,744,994.05</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	1	1.00
Permanent employees – Union sable		-
Temporary and contract employees	52	45.00
<b>Total</b>	<b>53</b>	<b>46.00</b>

Makueni County Sand Conservation and Utilization Authority

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging/(crediting):

	2018-2019	2017-2018
	KSHS	KSHS
Staff costs (note 9b)	20,836,160.00	15,744,994.05
Depreciation of property, plant and equipment	1,548,527.84	1,995,191.16
Directors' emoluments - fees	1,887,254.60	3,850,826.30
Appropriation of Revenue	25,208,000.00	10,630,680.50
Other Operating Costs	27,645,254.33	15,975,901.10
<b>Total</b>	<b>77,125,196.77</b>	<b>48,197,593.11</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11 PROPERTY, PLANT AND EQUIPMENT**

**Yr ended 30 June 2018**

	25%	8%	33%	
	Motor vehicle	Office equipment, furniture and fittings	Computers and related equipment	Total
Cost/Revaluation				
As at 01 July 2017	9,223,000.00	542,867.50	50,000.00	9,815,867.50
Additions	525,000.00	0.00	1,065,000.00	1,590,000.00
Disposal	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
As at 30 June 2018	<u>9,748,000.00</u>	<u>542,867.50</u>	<u>1,115,000.00</u>	<u>11,405,867.50</u>
Depreciation				
As at 01 July 2017	3,391,500.00	43,429.40	16,666.67	3,451,596.07
Disposals		0.00	0.00	0.00
Revaluation/Adjustments	(271,437.50)	0.00	0.00	(271,437.50)
Charge for the year	1,589,125.00	39,955.05	366,111.11	1,995,191.16
As at 30 June 2018	<u>4,709,187.50</u>	<u>83,384.45</u>	<u>382,777.78</u>	<u>5,175,349.73</u>
<b>NBV 30.06.2018</b>	<u><b>5,038,812.50</b></u>	<u><b>459,483.05</b></u>	<u><b>732,222.22</b></u>	<u><b>6,230,517.77</b></u>

**Yr ended 30 June 2019**

	25%	8%	33%	
Cost/Revaluation				
As at 01 July 2018	9,748,000.00	542,867.50	1,115,000.00	11,405,867.50
Additions	0.00	99,900.00	0.00	99,900.00
Disposal	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
As at 30 June 2019	<u>9,748,000.00</u>	<u>642,767.50</u>	<u>1,115,000.00</u>	<u>11,505,767.50</u>
Depreciation				
As at 01 July 2018	4,709,187.50	83,384.45	382,777.78	5,175,349.73
Disposals		0.00	0.00	0.00
Revaluation/Adjustments	0.00	0.00	0.00	0.00
Charge for the year	1,259,703.13	44,750.64	244,074.07	1,548,527.84
As at 30 June 2019	<u>5,968,890.63</u>	<u>128,135.09</u>	<u>626,851.85</u>	<u>6,723,877.57</u>
<b>NBV 30.06.2019</b>	<u><b>3,779,109.38</b></u>	<u><b>514,632.41</b></u>	<u><b>488,148.15</b></u>	<u><b>4,781,889.93</b></u>

Makueni County Sand Conservation and Utilization Authority

Annual Reports and Financial Statements

For the year ended June 30, 2019

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Property, plant and equipment include the following items  
that are fully depreciated:

	Cost or valuation	Normal Annual depreciation charge
Plant and machinery	0.00	0
Motor vehicles, including motor cycles	9,748,000.00	1,259,703.13
Computers and related equipment	1,115,000.00	244,074.07
Office equipment, furniture and fittings	642,767.50	44,750.64

**Makueni County Sand Conservation and Utilization Authority**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12(a) TRADE AND OTHER RECEIVABLES**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables		4,648,110.18
Other receivables (Revenue collected and unbanked as at the end of the year)	125,800	
Gross trade and other receivables	125,800	4,648,110.18
Provision for bad and doubtful receivable		
Net trade and other receivables	125,800	4,648,110.18
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (b) TRADE RECEIVABLES

	2018-2019 Kshs	2017-2018 Kshs
Gross trade and other receivables	125,800.00	4,648,110.18
Provision for doubtful receivables		
	<u>125,800.00</u>	<u>4,648,110.18</u>

TRADE RECEIVABLES AGEING ANALYSIS AS AT 30TH JUNE 2019						
					2018-2019	2017-2018
NAME	1-30 DAYS	31-60 DAYS	61-90 DAYS	OLDER	AMOUNT PENDING	AMOUNT PENDING
GRANT FROM MAKUENI COUNTY GOVERNMENT						4,648,110.18
UMU HALIMA	3,200.00	1,200.00	9,800.00	26,000.00	40,200.00	
FAITH MWONGELI	16,000.00				16,000.00	
JOHN KINYUNGU	7,700.00				7,700.00	
DANIEL KINGOKU	2,000.00				2,000.00	
ANTHONY MUKANGU	3,000.00				3,000.00	
JANET NDINDI MUTUA	8,900.00	23,200.00			32,100.00	
PIUS MUOKA	800.00				800.00	
JAMES MUTUA MANZA	2,800.00				2,800.00	
JACINTANDUKU MUTIO	21,200.00				21,200.00	
<b>TOTAL AMOUNT DUE</b>	<b>65,600.00</b>	<b>24,400.00</b>	<b>9,800.00</b>	<b>26,000.00</b>	<b>125,800.00</b>	<b>4,648,110.18</b>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13 BANK AND CASH BALANCES**

	2018-2019 Kshs	2017-2018 Kshs
Cash at bank	22,943,407.90	11,469,309.32
M-Pesa paybill	2,637,786.00	816,370.00
<b>Total Cash and bank balances</b>	<b>25,581,193.90</b>	<b>12,285,679.32</b>

*The bulk of the cash at bank was held at Kenya Commercial Bank, the entity's main bankers.*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13.b BANK AND CASH BALANCES (Continued)**

The make – up of bank balances and short term deposits is as follows:

**Detailed analysis of the cash and cash equivalents**

	2018-2019 Kshs	2017-2018 Kshs
Cash in hand		
KCB revenue a/c	22,938,120.50	9,814,309.50
Mpesa Paybill Utility 172564 a/c	1,214,716.00	801,410.00
Mpesa Paybill MMF 172564 a/c	1,423,070.00	14,960.00
KCB operations a/c	5,287.40	1,654,999.82
<b>Total Cash and bank balances</b>	<b>25,581,193.90</b>	<b>12,285,679.32</b>

**14 RETAINED EARNINGS**

The retained earnings represent amounts available to finance the Authority's business activities.

Retained earnings

	2019	2018
	KSH	KSH
PROFIT/ (LOSS) FOR THE PERIOD	(8,888,999.56)	<b>6,949,123.42</b>
PROFIT/(LOSS) B/F	(2,098,994.77)	<b>(9,319,555.69)</b>
Excess Depreciation		<b>271,437.50</b>
PROFIT/ (LOSS) C/F	(10,987,994.33)	<b>(2,098,994.77)</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 TRADE AND OTHER PAYABLES

DESCRIPTION OF ITEM	2018-2019	2017-2018
	Kshs	Kshs
REVENUE APPROPRIATION AS PER THE ACT (SEE NOTE 21)	25,208,000.00	10,630,680.50
<b>SUB-TOTAL</b>	<b>25,208,000.00</b>	<b>10,630,680.50</b>
<b>OTHER PAYABLES</b>		
ACACIA RESORT HOTEL-CATERING SERVICES	3,600.00	
TELKOM-KENYA-RENT ARREARS	109,817.66	
PANARI HOTEL-CATERING SERVICES	152,000.00	
HOTEL LE PANDA-CATERING SERVICES	46,520.00	44,555.00
BEN ENG.LTD SUPPLY OF MATERIALS TO KITHUNTHI SAND DAM	212,800.00	
GIDEON KITHUKU-DSA FACICITATION	6,200.00	
MAURICE MUTIE DRIVER-DSA FACILITATAION	6,750.00	
LOCAL TRANSPORT ENFORCEMENT AND REVENUE CLERKS	37,990.00	
TELKOM-KENYA-SUPPLY OF INTERNET JUNE 2019	29,348.00	
MAURICE MUTIE-TRANSPORT FACILITATION	5,700.00	
STAN MANTHI-FACILITATION DURING ENFORCEMENT	5,000.00	
WWS&CLD-SUPPLY OF WATER	2,650.00	
GIDEON KITHUKU-TRANSPORT FACILITATION	5,775.00	
GEOFFRY MAWEU-TRANSPORT FACILITATION	5,000.00	
SAND MANAGEMENT COMMIT-TULIMANI	21,000.00	
SALARIES FOR JUNE 2019	1,699,985.00	
CASUALS MARWA-CONSTRUCTION OF MARWA SCHOOL PROJECT	19,950.00	
OPENING AND EVALUATION COMMITTEES	120,000.00	
FINEST ENTERPRISES SUPPLY OF WATER	5,200.00	
TULIMANI SAND MANAGEMENT COMMITTEE FEB 2019	24,000.00	
STAN MANTHI FACILITATION DURING ENFORCEMENT	16,800.00	
BECH.MARK CMP.LTD-SUPPLY OF MATERIALS TO MARWA PRI SCHOOL PROJECT	687,210.00	

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POLICE ALLOWANCES	677,700.00	629,000.00
CASUALS MARWA-CONSTRUCTION OF MARWA SCHOOL PROJECT	15,300.00	
BOARD CHAIRMAN HONORARIA	240,000.00	
SKYLINX SUPPLY OF STATIONANRY	42,015.00	
REPAIR OF MOTOR VEHICLE 17CG077A	29,800.00	
RAWJI INVSESTMENT BEIGN SUPPLY OF FUEL	15,000.00	
ASDF SKILLED LABOUR DURING MARWA PRI SCHOOL PROJECT	20,000.00	
NSSF JUNE 2018		18,000.00
ERATECH SUPPLIES-SUPPLY OF COMPUTERS		1,065,000.00
NHIF PENALTIES		294,250.00
KRA PENALTIES		265,639.04
SKYLINX TECNNOLOGIES BEING SUPPLY OF STATIONARY		48,030.00
WOTE WATER AND SEWERAGE COMPANY		1,280.00
AUTOPONT-MV REPAIR		336,000.00
MAKINDU MOTORS BEIGN PURCHASE OF MOTOR CYCLES		525,000.00
<b>SUB-TOTAL</b>	<b>4,263,110.66</b>	<b>3,226,754.04</b>
<b>TOTAL</b>	<b>29,471,110.66</b>	<b>13,857,434.54</b>

*Revenue appropriation represents amount of revenue received from sale of sand and which should be distributed to interested parties as the Makueni County Sand Conservation and Utilization Act, 2015.*

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**16 CUSTOMER DEPOSITS**

	2019-2018	2017-2018
CUSTOMER DEPOSITS REFUNDABLE	Kshs	Kshs
BLUE SKY LTD	500,000.00	

Customer deposits represents amounts paid by customer in advance before commencing sand harvesting. A customer paid Ksh 500,000 to be allowed to harvest sand but the management closed the sand harvesting sites before he could harvest. The amount is payable to the customer.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17 NOTES TO THE STATEMENT OF CASH FLOWS**

	2018-2019	2017-2018
<b>cash generated from/(used in) operations</b>	<b>Kshs.</b>	<b>Kshs.</b>
Operating profit/(loss)	(8,888,999.56)	6,949,123
Depreciation	1,548,527.84	1,995,191
Prior year Adjustment		
increase in reserves		-
(Gain)/loss on disposal of property, plant and equipment		-
<b>Operating profit/(loss) before working capital changes</b>	<b>(7,340,471.72)</b>	<b>8,944,315</b>
(Increase)/decrease in inventories		-
(Increase)/decrease in trade and other receivables	4,522,310.18	(4,648,110)
Increase/(decrease) in trade and other payables	15,613,676.12	7,716,258
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
Customer Deposits received	500,000.00	-
	<b>20,635,986.30</b>	<b>3,068,148</b>
<b>Cash generated from/(used in) operations</b>	<b>13,295,514.58</b>	<b>12,012,463</b>

**18 RELATED PARTY DISCLOSURES**

The Government of Makueni County is the principal shareholder of the *Authority*, holding 100% of the *entity's* equity interest. The Government of Makueni County has provided full guarantees to all long-term lenders of the entity, both domestic and external.

**18B. RELATED PARTY DISCLOSURES (Continued)**

**Transactions with related parties**

	2018-2019	2017-2018
	Kshs	Kshs
<b>a) Grants from the Government</b>		

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Grants from County Government (Note 7)	34,133,553.21	37,268,564.88
<b>b) Key management compensation</b>		
Directors' emoluments	1,887,254.60	3,850,826.30

**19. CAPITAL RESERVES**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance brought forward	11,405,867.50	<b>9,815,868</b>
Additions during the Year	99,900.00	<b>1,590,000</b>
Balance carried forward	11,505,767.50	<b>11,405,868</b>

**20. Trade Receivable of Ksh 4,648,110.15 received on 4/07/2018**

The Authority received a grant of Kshs 4,648,110.15 from Makueni County Government relating to financial year 2017/2018. The Amount was reported as trade receivables in the FY 2017/2018 and was used to pay pending bills from FY 2017/2018 as follows:

	<b>Kshs</b>
TRANSFER FROM COUNTY GOVERNMENT FOR FY 2017/2018	4648110.15
HOTEL LE PANDA-CATERING SERVICES	(44,555.00)
POLICE ALLOWANCES	(629,000.00)
NSSF JUNE 2018	(18,000.00)
NHIF PENALTIES	(50,000.00)
KRA PENALTIES	(314,519.00)
SKYLINX TECNNOLOGIES BEING SUPPLY OF STATIONARY	(48,030.00)
WOTE WATER AND SEWERAGE COMPANY	(1,280.00)
MAKINDU MOTORS BEIGN PURCHASE OF MOTOR CYCLES	(525,000.00)
SUB-TOTAL	<b>(1,630,384.00)</b>
RETAINED EARNINGS (REALLOCATED TO ENFORCEMENT AND PUBLIC AWARENESS) FY 2018/2019	<b>3,017,726.15</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**21. APPROPRIATION OF REVENUE**

Section 35 of the Makueni County Sand Conservation and Utilization Act; 2015 stipulates how revenue raised from sale of sand shall be shared among the County, the Authority and the Community. The revenue raised during the year was held in the bank for formal sharing as per the Act.

<b>Planned Sharing plan as per the Act.</b>	<b>2018-2019</b>	<b>2017-2018</b>
<b>Description of item</b>	<b>Kshs</b>	<b>Kshs</b>
CONSERVATION FUND 50%	12,604,000.00	<b>5,315,340.25</b>
COUNTY GOVERNMENT 20%	5,041,600.00	<b>2,126,136.10</b>
SAND AUTHORITY OPERATIONS 25%	6,302,000.00	<b>2,657,670.13</b>
COMMUNITY 5%	1,260,400.00	<b>531,534.03</b>
Sub-Total	25,208,000.00	10,630,680.50

**22. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with



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limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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**23. INCOPORATION**

The entity is incorporated in Kenya under the Makueni County Sand Conservation and Utilisation Act, 2015 and is domiciled in Kenya

**24. EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**25. CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX I: INTER-ENTITY TRANSFERS**

ENTITY NAME:			
Break down of Transfers from the State Department of XXX			
FY 2018/2019			
<b>a. Grants</b>			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
Makueni County Government	04-07-18	4,648,110.15	2017-2018
Makueni County Government	09-11-18	1,710,372.00	2018-2019
Makueni County Government	07.12.18	1,739,141.00	2018-2019
Makueni County Government	10-01-19	1,721,633.00	2018-2019
Makueni County Government	10-01-19	17,066,776.00	2018-2019
Makueni County Government	26.03.19	11,895,631.00	2018-2019
	<b>Total</b>	<b>38,781,663.15</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

**Accountant**

Makueni County Sand Authority

Sign 

