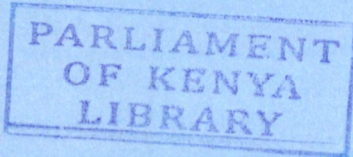


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Paper laid  
By the LOM, the Hon.  
Aden Duale, MP, on  
Wednesday, 27/9/17  
*Anthony*

**REPORT**

**OF**

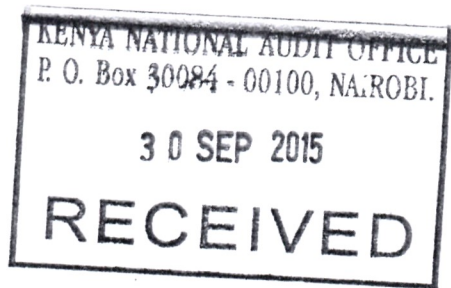
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
AGRICULTURE FOOD AND  
FISHERIES AUTHORITY**

**FOR THE ELEVEN MONTHS  
PERIOD ENDED 30 JUNE 2015**





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**AGRICULTURE, FISHERIES AND FOOD AUTHORITY**

**DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2015**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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# I. KEY AGRICULTURE FISHERIES AND FOOD AUTHORITY INFORMATION AND MANAGEMENT

## (a) Background information

The Agriculture, Fisheries and Food Authority (AFFA) is a state corporation established through an Act of Parliament specifically, under section 3 of the Agriculture, Fisheries and Food Authority Act of 2013. The Act consolidates the laws on the regulation and promotion of agriculture and makes provision for the respective roles of the National and County Governments in Agriculture and related matters.

## (b) Principal Activities

The Agriculture, Fisheries and Food Authority is mandated to carry out the following functions:

Administer the Crops Act, and the Fisheries Act in accordance with the provisions of these Acts;

promote best practices in, and regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural and aquatic products excluding livestock products as may be provided for under the Crops Act, and the Fisheries Act;

Collect and collate data, maintain a database on agricultural and aquatic products excluding livestock products, documents and monitor agriculture through registration of players as provided for in the Crops Act and the Fisheries Act;

Be responsible for determining the research priorities in agriculture and aquaculture and to advise generally on research thereof;

Advise the national government and the county governments on agricultural and aquatic levies for purposes of planning, enhancing harmony and equity in the sector;

Carry out such other functions as may be assigned to it by this AFFA Act, the Crops Act, the Fisheries Act and any written law while respecting the roles of the two levels of Government

### Key Management

The Agriculture Fisheries and Food Authority's day-to-day management is under the following key organs:

#### Designation

Interim Director General

Interim Heads of Directorates-

- Tea
- Sugar
- Coffee
- Horticulture
- Nuts and Oils
- Fibre
- Food
- Pyrethrum and other Industrial Crops
- Commodities

#### Name

Alfred Busolo Tabu

Elizabeth W. Kimenyi

Andrew Osondo

Grenville Meli

Zakayo Magara

Raymond Kahindi

Anthony Mureithi

Chebbi Kilel

Solomon Odera

Nancy Cheruiyot

- Fisheries

N/A

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	PS, Ministry of Agriculture, Livestock and Fisheries	Ms. Sicily K. Kariuki
2	Board of Directors	

**(d) Fiduciary Oversight Arrangements**

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Board of Directors
- Parliamentary committee

**(e) Agriculture Fisheries and Food Authority Headquarters**

P.O. Box 37962-00200  
Tea House  
Naivasha Road  
Nairobi, KENYA

**(f) Agriculture Fisheries and Food Authority Contacts**

P.O.Box 37962-00200  
Telephone: (254) 722200556/  
E-mail: [info@agricultureauthority.go.ke](mailto:info@agricultureauthority.go.ke)  
Website: [www.agricultureauthority.go.ke](http://www.agricultureauthority.go.ke)

**(g) Agriculture Fisheries and Food Authority Bankers**

1. Kenya Commercial Bank
2. National Bank of Kenya
3. Citibank N.A
4. Cfc Stanbic Kenya
5. Co-operative Bank of Kenya
6. Barclays Bank
7. Standard chartered Bank
8. NIC Bank

**(h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**(i) Principal Legal Adviser**

Frankie Welikhe  
P.O. Box 37962-00200  
Tea House  
Naivasha Road  
Nairobi, KENYA

## II. THE BOARD OF DIRECTORS AGRICULTURE FISHERIES AND FOOD AUTHORITY

### INTERIM MANAGEMENT COMMITTEE MEMBERS

The affairs of AFFA were initially conducted by an Interim Management Committee that was appointed by way of Gazette Notice No. 1363 of 2014, and who held office from 28<sup>th</sup> February 2014 to 29<sup>th</sup> May 2014. The members were as follows:

	<b>Director</b>	<b>Designation</b>	<b>Specialization</b>
1.	Mrs. Hannah W. Muriithi, EBS	Chairperson	Advocate
2.	Mr. Charles Dulo	Member	Advocate
3.	Ms. Terry Chebet Maina	Member	Human Resource Specialist
4.	Ms. Vivian Melelo Kotikash	Member	Finance & Accounts Specialist
5.	Mr. Peter K. King'ori	Member	Private Entrepreneur
6.	Mr. Crispus Ngolo	Member	Finance Specialist
7.	Mr. Boniface K. Terer	Member	Property Valuer
8.	Ms. Gladys Maina	Member	Agricultural Chemist/Quality Assurance specialist
9.	Dr. John K. Mutunga	Member	Socio-Economist & Agriculture specialist
10.	Dr. Anthony Getambu	Member	Value Chain Specialist

Subsequently a new Board was appointed through a gazette notice NO. 4003 of 2013 on 29<sup>th</sup> May 2014 effective 2<sup>nd</sup> June 2015. The members are as follows:-

	<b>Director</b>	<b>Specialization</b>
1.	Mrs. Sicily K. Kariuki, MBS	Temporary Chairman PS- State Department of Agriculture Ministry of Agriculture, Livestock & Fisheries
2.	Ms. Lilian K. Kieni	Ministry of Land , Housing and Urban Development
3.	Mr. Hezekiah B. Okeyo	Alt. Director, Ministry of Industrialisation and Enterprise Development
4.	Ms. Mwanamaka A. Mabruki	PS –State Department of Devolution Ministry of Devolution & Planning
5.	Dr. Richard Lesiyampe, MBS	PS- State Department of Environment and Natural Resources, Ministry of Environment

6.	Mr. Kinuthia Wamwangi, EBS	Chairman – Transition Authority
7.	Mr. George K. Mothemba	Alt. Director National Treasury
8.	Commissioner, Abdulkadir A. Khalif	Commissioner, National Land Commission
9.	Mr Alfred Busolo Tabu	Interim Director General , AFFA

### III. MANAGEMENT TEAM

	<b>Management</b>	<b>Area of Responsibility</b>
1.	Alfred Busolo	Interim Director General
2.	Elizabeth W. Kimenyi	Interim Head - Tea Directorate
3.	Andrew Osodo	Interim Head - Sugar Directorate
4.	Grenville Meli	Interim Head - Coffee Directorate
5.	Zakayo Magara	Interim Head - Horticulture Directorate
6.	Raymond Kahindi	Interim Head - Nuts and Oils Directorate
7.	Anthony Mureithi	Interim Head - Fibre Directorate
8.	Chebii Kilel	Interim Head - Food Directorate
9.	Solomon Odera	Interim Head - Pyrethrum and other Industrial Crops Directorate
10.	Nancy Cheruiyot	Interim Head - Commodities Fund

	<b>Heads of Department</b>	<b>Area of Responsibility</b>
1.	Elias Kiragu	Interim Head -Finance and Administration
2.	Christine Chesaro	Interim Manager-Corporate and Communications
3.	Patricia Njeru	Interim Head -Planning, Research and Strategy
4.	Isaac Metto	Interim Head -Internal Audit
5.	Peter Lukoye	Interim Head -Human Resource
6.	Daniel Mbovu	Interim Manager -Supply chain
7.	Frankie Welikhe	Interim Head -Legal
8.	Amos Mulievi	Interim Manager -ICT

#### IV. CHAIRMAN'S STATEMENT

The reforms in the Agricultural Sector were started in 2003 with the formulation of the Economic Recovery Strategy for Employment and Wealth Creation (ERS) and the ten year Strategy for Revitalization of Agriculture (2004-2014). This culminated in the formulation of three Acts of Parliament:

Agriculture Fisheries and Food Authority Act, 2013;

Crops Act, 2013;

Kenya Agriculture and Livestock Research Act, 2013 (KALRO Act, 2013)

The AFFA Act consolidates the laws on the regulation and promotion of Agriculture and makes provision for the respective roles of the National and County Governments in agriculture and related matters, in line with the provisions of Part 2 and Part 1 of section 29 of Fourth Schedule to the Constitution of Kenya. While the National Government shall be responsible for agricultural policy and for assisting the county governments on agricultural matters, each county is responsible, for agricultural matters within its jurisdiction. On the other hand, Crops Act 2013 consolidated various statutes and repealed a number of statutes relating to crops sub-sector to provide for enhanced productivity, growth and development by improving the investment climate and efficiency of agribusiness through facilitative regulation, development and promotion services.

The implementation of the three Acts of Parliament necessitated formation of a sector-specific Task Force to offer advice to the Cabinet Secretary and to ensure that operations of the affected institutions were not interrupted, until appropriate operational structures for the merged institution were put in place. The AFFA Interim Management Committee (IMC), was therefore gazetted on 28th February, 2014.

The commencement of the Crops Act, 2013 was effected vide the gazette notice no.110 of 1st August 2014, effectively repealing the 10 statutes and 8 institutions that previously existed. The Authority was inaugurated on 8th August 2014 by the Cabinet Secretary Ministry of Agriculture Livestock and Fisheries.

The Directorates which were formed are:

- a. Coffee Directorate
- b. Food Crops Directorate
- c. Fibre Crops Directorate
- d. Horticultural Crops Directorate
- e. Nuts and Oil Crops Directorate
- f. Pyrethrum and other Industrial Crops Directorate
- g. Sugar Directorate
- h. Tea Directorate

In addition, the Commodities Fund was also established to support the development and promotion of relevant crops.

As listed in Part II above, the Authority has operated under the Interim Management Committee (IMC) and later Board of Directors.

The election of the farmer representatives to the Board is awaiting the gazettment of the election Rules and Regulations, after which farmer representatives will be elected to form a full Board as provided for by the AFFA Act 2013.

## V. REPORT OF THE DIRECTOR GENERAL

The Agriculture Fisheries and Food Authority (AFFA) was inaugurated on 8th August 2014. After its establishment, the headquarters of the Authority was housed at the current premises of the Tea Directorate. The administrative and support functions of the various Directorates have since then been carried out at the Authority's headquarters, to facilitate and support leaner Directorates, which are essentially technical. This was a deliberate move to enhance efficiency through elimination of duplicated, overlapping roles and pooling of resources and to enable them concentrate on the core business of developing and promoting the respective Crops.

### Successes

A review of legal, regulatory, development and institutional framework of the authority on the separation of regulatory functions from development and promotion functions, in line with the recommendations of the Presidential Task Force on Parastatal reforms was carried out.

A review of the functions of the Authority was made a functional organostructure was developed in line with the Act. In addition to the eight Directorates established by the AFFA and the Crops Acts, the Management Team was established comprising of the Director General's Office and the following Departments:

- Finance and Administration
- Human Resources
- Legal Affairs
- Audit and Risk
- Research, Planning and Strategy
- Supply Chain
- ICT
- Corporate Communications

Sector-specific Draft Regulations were developed. AFFA is currently consulting with the County Governments in a bid to expedite gazettment of the same.

AFFA developed a Corporate Brand and Identity for the organization. The vision, mission and core values were also developed as below

#### **Vision:**

“A leading Authority in regulation, development and promotion of crops”

#### **Mission:**

“To regulate, develop and promote crops for socio-economic empowerment and development”

#### **Motto:**

“Our Crops, Our Wealth”

#### **Core Values:**

“Integrity; Professionalism; Commitment; Customer focus; Responsiveness”

To enable staff from different directorates get to work as a team, it was deemed prudent that staff be transferred across the board and allocated new assignments in other Directorates, in line with their area of profession. We are currently undertaking a Job evaluation exercise which will streamline the deployment process by ensuring that staff are placed appropriately and remunerated equitably.

Financial Issues (Asset Base and Its Management)

Following the merger of former regulatory institutions, all the Assets, Facilities and Liabilities of the former Entities are now Assets, Facilities and liabilities of the new Authority. This is expected to boost the effective and efficient development and promotion of all major crops through pooling and sharing of resources.



✱ ALFRED BUSOLO TABU  
INTERIM DIRECTOR GENERAL

**AGRICULTURE FISHERIES AND FOOD AUTHORITY**

## **VI. REPORT OF THE DIRECTORS AGRICULTURE FISHERIES AND FOOD AUTHORITY**

The Directors submit their report for audit for the year ended June 30, 2015. It comprises 11 months since the Authority come into being on 1/8/2014. The previous year was extended to thirteen (13) months to coincide with the lifespan of the predecessor regulatory Boards. The report show the performance and state of the Agriculture Fisheries and Food Authority's affairs.

### **Results**

The results of the Agriculture Fisheries and Food Authority for the year ended June 30, 2015 are set out on page 1 to 25 herein.

The Authority received a total of Kshs. 2,113,051,000 (2,448,340,000 for 2013/14) revenues from internally generated revenues and Government grants. Further, it generated revenues from rent, interest on fixed deposits received and receivable and other income (Marathon sponsorships, sale of tender documents, APC collection fees etc.) totalling Kshs. 249,418,000 (226,709,000. 2013/14). From this it was able to pay its administration costs of Kshs. 2,101,525,000 (2,354,314,000. 2013/14). The highest costs are:

Employee costs kshs. 603,197,000 (734,311,000)

Operating Expense Kshs, 541,763,000 (582,987,000) and

Disbursements Kshs. 430,064,000 (481,672,000) this relates to Tea and Sugar. Other Directorates receive their levies net.

Net surplus for the year is Kshs. 269,918,000 (366,810,000 2013/14)

### **Financial position**

The Authority has structure of total net assets totalling Kshs. 6,535,437,000 (6,030,288,000. 2013/14). With Current assets of Kshs. 2,552,373,000 (2,231,439,000) against Current Liabilities of Kshs. 897,192,000 (657,181,000) giving a working capital ratio of 2.84:1 (3.39:1), overall this is a healthy working capital position

### **Auditors**

The Auditor General is responsible for the statutory audit of the Agriculture Fisheries and Food Authority in accordance with the Section 73 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

Deloitte and Touché Certified Public Accountants were appointed by the National Treasury to offer technical support in the preparation of these financial statements for the year 2014/2015. This has been duly sought.

By Order of the Board



Interim Director General

**AGRICULTURE FISHERIES AND FOOD AUTHORITY**

Date: 29/9/15

## VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES AGRICULTURE FISHERIES AND FOOD AUTHORITY

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Agriculture Fisheries and Food Authority, which give a true and fair view of the state of affairs of the Agriculture Fisheries and Food Authority at the end of the financial year/period and the operating results of the Agriculture Fisheries and Food Authority for that year/period. The Directors are also required to ensure that the Agriculture Fisheries and Food Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agriculture Fisheries and Food Authority. The Directors are also responsible for safeguarding the assets of the Agriculture Fisheries and Food Authority.


The Directors are responsible for the preparation and presentation of the Agriculture Fisheries and Food Authority's financial statements, which give a true and fair view of the state of affairs of the Agriculture Fisheries and Food Authority for and as at the end of the financial year (period) ended on June 30, 2015. 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 Agriculture Fisheries and Food Authority ; (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 Agriculture Fisheries and Food 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 Agriculture Fisheries and food Authority 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 and the State Corporations Act. The Directors are of the opinion that the Agriculture Fisheries and Food Authority's financial statements give a true and fair view of the state of Agriculture Fisheries and Food Authority's transactions during the financial year ended June 30, 2015, and of the Agriculture Fisheries and Food Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agriculture Fisheries and Food Authority, which have been relied upon in the preparation of the Agriculture Fisheries and Food 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 Agriculture Fisheries and Food 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 Agriculture Fisheries and Food Authority's financial statements were approved by management on 25/9/2015 and signed on its behalf by:

  
Interim Director General

  
Interim Head Finance and  
Administration

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON AGRICULTURE FOOD AND FISHERIES AUTHORITY FOR THE ELEVEN MONTHS PERIOD ENDED 30 JUNE 2015

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Agriculture Food and Fisheries Authority set out on pages 12 to 36, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 14 of the Public Audit Act, 2003

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

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*Report of the Auditor-General on the Financial Statements of Agriculture Food and Fisheries Authority for the eleven months period ended 30 June 2015*

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

## **Basis for Disclaimer of Opinion**

### **1. Financial Statements**

The financial statements do not include balances drawn from the former Sugar Arbitration Tribunal. The management has not explained how the Sugar Arbitration Tribunal assets and liabilities have been accounted for after the repeal of the Sugar Act, 2001, following the enactment of the Crops Act, 2013.

### **2. Property, Plant and Equipment**

#### **2.1 Rehabilitation of Kahawa House**

As reported under the defunct Coffee Board of Kenya in the previous year, a consultant submitted on 8 February 2001 a fee note of KShs.56,742,130 for studying and assessing the rehabilitation works that would be necessary and required for Kahawa House. However, information available indicates that the amount was not paid and has remained as a non-current provision in these financial statements, as the Board was convinced that no work was carried out to warrant a charge of KShs.56,742,130.

Consequently, the consultant sued the defunct Coffee Board of Kenya for non-payment of the fee demanded. A review of the matter revealed that the suit is yet to be decided upon by the High Court since 19 March 2004 (case No. HC 152 of 2004). The management has not explained why rehabilitation was necessary considering that the house was refurbished in 1998/1999 at a cost of KShs.38 Million. In addition, the management has not disclosed the amount of Kshs.56,742,130 as a contingent liability in the notes to the financial statements.

#### **2.2 Ownership of Property, Plant and Equipment**

**2.2.1** The statement of financial position as at 30 June 2015, reflects a balance of Kshs.3,827,055,000 under property, plant and equipment, which includes

several properties in respect of the defunct Coffee Board of Kenya whose ownership has not been established as explained below:

- (i) The property, plant and equipment balance of Kshs.3,827,055,000 also includes an amount of Kshs.72,000,000 in respect of land measuring 236.35 hectares in Thika sub-County, Kiambu County. However, title documents for land measuring 137.2 hectares out of the 236.35 hectares have not been provided for audit review. It has not been possible therefore to confirm ownership status of the land measuring 137.2 hectares.
- (ii) Further, the balance of Kshs.3,827,055,000 also includes an amount of Kshs.6,776,000 relating to the value of two motor vehicles whose ownership is in doubt. The logbook for motor vehicle number KAR 461K was said to have been misplaced, while motor vehicle Registration number KBG 517C was registered in the name of Coffee Research Foundation.

**2.2.2** Included in the property, plant and equipment balance of Kshs.3,827,055,000 is an amount of Kshs.161,200,000 representing the value of land on which the defunct Horticultural Crops Development Authority depots stand and for which title deeds have not been obtained. Further, the ownership of plot L.R.No.209/12490 situated along Mombasa road, measuring 3.5 hectares and valued at Kshs.86,000,000 is still in dispute.

### **2.3 Valuation of the Property, Plant and Equipment**

- (i) The property, plant and equipment balance of Kshs.3,827,055,000 excludes an undetermined value of land in Athi River, which was allocated to the defunct Kenya Sugar Board on 18 April 1995. It is not clear if and when the land will be valued for inclusion in the financial statements.
- (ii) The balance further excludes seven (7) acres of unvalued land in Mtwapa that had been allocated to the defunct Kenya Coconut Development Authority by the defunct Kenya Agricultural Research Institute.
- (iii) Further, a review of available records revealed that the defunct Coffee Board of Kenya carried out a revaluation exercise in the year 2010, which combined the value of land on which the Coffee Plaza and Kahawa House are located with the value of buildings resulting to a net fair value of Kshs.1,568,643,000 as at 30 June 2015. This treatment differs with the Authority's policy on classification of property, plant and equipment as the two assets have been classified separately as disclosed under Note 33 to the financial statements. In view of the above, it has not been possible to determine whether the depreciation charged is consistent with the depreciation policy as disclosed under Note 1(e) to the financial statements which provides for a rate of 2.5% p.a. on buildings and not for land.

- (iv) Further, the Authority owns a piece of land reference No.209/10537 measuring 8.1 hectares located in Embakasi which was previously owned by the defunct Coffee Board of Kenya since October 1986. This land however remains unutilized and could therefore be lost to land grabbers.

#### **2.4 Property with a Court Case**

- (i) The balance of the property, plant and equipment of Kshs.3,827,055,000 excludes the value of Riverside Estate property LR No.209/4389/3 where the defunct Cotton Development Authority's head office was located. According to available information, the property belonged to the defunct Cotton Board of Kenya and had been charged against a bank loan that the Board failed to service. The bank subsequently sold the property for Kshs.21.5 million through a public auction held in November 2000. Further, records show that the purchaser of the property paid the bank an amount of Kshs.8,375,000 representing the balance of the outstanding loan, where upon the bank released the documents relating to the property to the purchaser. The purchaser thereafter, and before clearing the balance of Kshs.13,125,000 sought to transfer the title of the property in his name. The Board, however, declined to execute the transfer documents and as a result, the purchaser filed a case in the High Court in November 2008. The matter is still pending in court.
- (ii) Additional information shows that as at 30 June 1993, the defunct Cotton Board of Kenya had property, plant and equipment with a net book value of Kshs.210,759,785 and investments in Meru Ginnery Ltd of Kshs.13,940,758. The management has however not satisfactorily explained how these property, plant and equipment were accounted for upon the creation of the defunct Cotton Development Authority.

#### **2.5 Presentation and Disclosure of the Property, Plant and Equipment**

- (i) The balance of Kshs.3,827,055,000 includes leasehold land reference Mombasa/Block 1/187, Mombasa/Block 1/188, Mombasa Block 1/189 and Mombasa/Block 1/251 valued at Kshs.151,000,000. However, contrary to the requirements of the International Public Sector Accounting Standards (IPSAS) No. 13, which requires lease payments to be recognized as an expense in the statement of financial performance on a straight-line basis over the lease term, the leasehold property has not been amortized.
- (ii) Further, the figure of Kshs.3,827,055,000 includes the value of temporary structures of Kshs.519,000 and an amount of Kshs.151,060,000 representing the cost of motor vehicles that had been disposed off by the defunct Horticultural Crops Development Authority in the year 2014.

- (iii) It has been observed that under the defunct Tea Board of Kenya, motor vehicles were being depreciated on a straight line basis while other assets were being depreciated on a reducing balance method. No reason has been given for this treatment. In addition, it has been noted that other plant, equipment and machinery were being depreciated at higher rates than normal rates and at different rates depending on location. Buildings were being depreciated at 2.5% in Dagoretti and Mombasa, 3.3% in Kericho and 20% at Jamhuri Park. No explanation has been provided for this inconsistency.

Under the circumstances, it is not possible to confirm that the property, plant and equipment balance of Kshs.3,827,055,000 as at 30 June 2015 reflected in the financial statements of the Authority are fairly stated.

### **3. Investments in Subsidiaries**

The statement of financial position reflects an amount of Kshs.389,000 under investments, in respect of investment in subsidiary. The investment in subsidiary of Kshs.389,000, however, differs with the amount of Kshs.148,200 reflected in the share certificates resulting in unexplained difference of Kshs.240,560. In the circumstances, the value of investments disclosed in the financial statements cannot be confirmed.

### **4. Intangible Assets**

The statement of financial position reflects an amount of Kshs.24,249,000 under intangible assets, which includes softwares, trade marks and patents. As reported in the previous year, under the defunct Horticultural Crops Development Authority, the intangible assets had been understated by Kshs.604,000.

### **5. Cash and Cash Equivalents**

#### **5.1 Opening balances**

The statement of financial position reflects an amount of Kshs.2,221,047,000 under cash and cash equivalents, which includes, as disclosed under Note 22 to the financial statements, cash in hand and short-term deposits. However, as reported in the year 2013/2014 under the defunct Horticultural Crops Development Authority, the financial statements balances differed with the supporting documents by Kshs.14,621,665, which had not been reconciled or explained. The same cash and cash equivalents reflected a negative petty cash balance of Kshs.249,000 that had not been explained at the year end. In addition, cash in hand and imprest of Kshs.2,003,000 and Kshs.49,000 respectively were not be supported.

Under the circumstances, the opening cash balances had variances that could not be explained and consequently, the accuracy and completeness of the cash and cash equivalents cannot be confirmed.

## 5.2 Unsupported cash balances

Included in the cash and cash equivalents figure of Kshs.2,221,047,000 are bank accounts and balances whose supporting documents have not been provided for audit review as analyzed below:

Directorate	Account Name	Account Numbers	Account Balance Kshs.	Supporting documents not provided
Sugar	NBK Nkurumah Rd Mombasa	01001009339300	412,437	Bank Confirmation Certificate
	3 Month F/D with Cooperative bank	Not availed	47,787,523	Bank Confirmation Certificate
	Rachier & Amollo & Nzamba kitonga Advocates	Not applicable	8,581,797	Documents to support funds held
Sugar Directorate - Levy	NIC Bank	1001316447	243,000	Bank Confirmation Certificate
	ECO Bank Kenya LTD (BOCO Deposit)	Not availed	5,000,000	Bank Confirmation Certificate
	Chemelil – On – Call Ac	Not Availed	10,913,125	No supporting document
	Euro Bank	Not Availed	52,237,000	Bank Confirmation Certificate
Tea	NBK Mombasa	01003007525500	100,220	Bank Confirmation Certificate
	CFC Stanbic USD account	0100002304699	29,609,732	Bank Confirmation Certificate
	CFC Stanbic KShs. account	0100002304702	78,038,252	Bank Confirmation Certificate
HCD	BBK - Main Account	094-5019115	80,887,660	Cashbook extract
Fibre	NBK - SISAL	01003000903600	15,628,310	Cashbook extract
	<b>TOTAL - Kshs</b>		<b>329,439,057</b>	

### 5.3 Bank Reconciliation

Further, the Horticultural Crops Directorate's, Barclays Bank of Kenya main account No.094-5019115 bank reconciliation statement includes salaries posted twice amounting to Kshs.7,901,812. In addition, a payment voucher No. 2137 amounting to Kshs.11,575,468 paid to CIC Insurance has not been posted to the cash book since December 2013. Further review of the bank reconciliation statement revealed that the net salaries figure posted twice of Kshs.7,901,812 includes payments of Kshs.4,374,496 that are not of personnel emoluments in nature.

### 5.4 Unposted payment vouchers

The cash on hand and in transit figure of Kshs.967,000 disclosed under Note 22 to the financial statements includes unposted payment vouchers totalling Kshs.232,813 as analysed below:

Region	Amount Kshs
Eastern Regional office	44,796
Eastern zone office	9,120
North Eastern Zone office	64,920
Coast Zone Office	27,227
Western Zone Office	46,810
Nyanza Zone Office	39,940
<b>Total - Kshs.</b>	<b>232,813</b>

As a result, cash and cash equivalents have been overstated and various expenditure items understated by the same amount, respectively.

### 5.5 Foreign currency translation

The cash at bank balance of Kshs.451,069,000 as disclosed under Note 22 to the financial statements includes Kshs.326,046, Kshs.87,922,049 and Kshs.4,848,184 in respect of Tea Directorate, Coffee Directorate and Fibre Directorate foreign exchange dollar accounts balances. However, a review of the balances revealed that the Authority did not use the CBK mean rate of 98.6394 as at 30 June 2015, in the translation of the USD balances to Kenya shillings resulting to an overstatement by Kshs.6,768,132 as analyzed below:-

Directorate	Bank name and Account Number	USD amount	Exchange rate used	Kshs Amount as per Cashbook	CBK Rate amount in Kshs	Difference in Kshs
Tea	<b>NBK</b> 02020061012200	3,338	97.69	326,046	329,215	(3,169)
Coffee	<b>CFC Stanbic</b> 00100000672248	820,401	107.17	87,922,049	80,923,860	6,998,188
Fibre	<b>KCB</b> 00001134347472	51,451	94.23	4,848,184	5,075,071	(226,887)
<b>TOTAL</b>						<b>6,768,132</b>

In view of the above, it has not been possible to confirm the accuracy of cash and cash equivalents figure of Kshs.2,221,047,000 as at 30 June 2015.

## 6. Receivables from Exchange Transactions

### 6.1 Prior Year Matters

- (i) As reported in the previous year, under the defuncts Sugar Development Fund and Horticultural Crops Development Authority, balances of receivables from exchange transactions amounted to Kshs.148,166,000 and Kshs.92,506,000 as at 31 July 2014, respectively. Although a provision had been made for the long outstanding amounts of Kshs.148,166,000 it remained uncollected as at June, 2015.
- (ii) In addition, the amount of Kshs.92,506,000 outstanding in the books of the defunct Horticultural Crops Development Authority included trade debtors totalling Kshs.63,540,000. The trade debtors further included credit balances of Kshs.6,097,068 whose nature was not explained. The trade debtors balance of Kshs.63,540,000 also differed with the supporting documents figure of Kshs.63,156,493. In addition, the trade receivables for the defunct Coffee Board of Kenya amounting to Kshs.2,569,375,479 had been written off in 2010/2011 without the necessary approvals from the Parent Ministry and the Treasury. No action has been taken to date to resolve these prior year issues.

### 6.2 Financial Year 2014/15 Matters

- (i) The trade and other receivables from exchange transactions balance of Kshs.137,110,000 included rent debtors balance of Kshs.8,864,000. However, the validity of a balance of Kshs.6,000,000 in respect of Horticultural Crop Directorate could not be ascertained since no relevant documents have been provided for audit verification.

- (ii) The above balance also included trade debtors balance of Kshs.113,728,000. The trade debtors further included an amount of Kshs.69,352,000 in respect of Horticultural Crop Directorate, against a ledger balance of Kshs.63,540,000. The difference of Kshs.5,812,000 has not been explained. Further included in the trade debtors is a balance of Kshs.13,340,000 in respect of Tea Directorate whose ledger balance reflects Kshs.15,599,103. The difference of Kshs.2,259,103 has also not been explained.
- (iii) The trade and other receivables from exchange transactions include prepayments balance of Kshs.14,624,000. However, a balance of Kshs.5,569,000 in respect of Horticultural Crop Directorate lacked verifiable documentary evidence.
- (iv) The financial statements figure of Kshs.137,110,000 for receivables from exchange transactions was not supported with ageing analysis of debtors to show the periods for which they have been outstanding so as to ascertain the recoverability of the balances.

## **7. Receivables from Non-Exchange Transactions**

### **7.1 Prior Year Issues**

As reported in the previous year, the financial statements of the defunct Coffee Board of Kenya, Sugar Development Fund and Kenya Sugar Board reflected as at 31 July 2014, amounts of Kshs.17,194,000, Kshs.1,837,694,000, and Kshs.35,130,000 in respect of receivables from non-exchange transactions. It was noted, however, that the amounts had been outstanding for a long time; the amount could not be reconciled to supporting documents and provision for bad debts made on these balances was inadequate. These matters have so far not been resolved.

### **7.2 Unsupported balances**

The receivables from non-exchange transactions balance of Kshs.195,950,000 disclosed under Note 24 to the financial statements includes unsurrendered staff imprests from the defunct Coffee Board of Kenya of Kshs.1,497,805 which have been outstanding since 2013 contrary to the provisions of Section 71 (4) of the Public Finance Management Act 2012 on cash advanced as imprest. In addition, staff debtors in respect of Tea Directorate includes a balance of Kshs.3,422,000 which differs with the figure of Kshs.3,507,725 shown in supporting documents resulting in unexplained and unreconciled balance of Kshs.85,725. Further, the balance of Kshs.195,950,000 includes an amount of Kshs.22,215,000 disclosed as staff advances under Note 24 to the financial statements. Out of the staff advances, an amount of Kshs.1,271,000 relates to the Horticultural Crop Directorate whose accuracy cannot be ascertained as no supporting documents have been provided.

Consequently, the completeness and accuracy of receivables from non-exchange transactions balance of Kshs.195,950,000 cannot be confirmed.

#### **8. Trade and other payables from exchange transactions**

- (i) The statement of financial position reflects a balance of Kshs.795,488,000 as at 30 June 2015 under trade and other payables from exchange transactions. As disclosed under Note 25 to the financial statements, this balance comprises of trade payables, project fund/clearance, third party payables and other payables. Further, as reported in the previous year on defunct entities that were merged to form Agriculture, Fisheries and Food Authority, there were long outstanding balances in the books of the defunct Sugar Development Fund amounting to Kshs.5,000,000 and Kshs.3,062,000 in respect of Boco Tractor lease deposit and Fintech Kenya that had been outstanding for a long period. In addition an amount of Kshs.2,636,872,172 relating to the defunct Coffee Board of Kenya had been written off as an old balance on the recommendation of a contracted consultant. However, approval for the write-off from both the Parent Ministry and the Treasury were not provided for audit review. Therefore the propriety of the write-offs effected in the 2010/2011 financial year can still not be confirmed.
- (ii) The trade and other payables figure of Kshs.795,488,000 also includes tax obligations of Kshs.2,380,000 which are composed of VAT, PAYE and withholding tax. These taxes are on transactions dating back to March 2015 for the Horticultural Crops Directorate and AFFA Headquarters account, and August 2014 for Fibre Directorate. The statutory deadlines for submission of PAYE and VAT are 9<sup>th</sup> and 20<sup>th</sup> of the subsequent month. It is not clear why these tax obligations remained unsettled as at 30 June 2015. Possible penalties and interest thereon have not been factored in these financial statements.
- (iii) In addition, as reported in the previous year, the trade and other payables balance of Kshs.106,740,000 in the financial statements for period ended 31 July 2014 of the defunct Horticultural Crops Development Authority differed with the supporting schedules balance of Kshs.96,156,448 resulting in unreconciled variance of Kshs.10,583,552, while a balance of Kshs.1,500,038 has remained outstanding for more than four years. The trade and accruals balance also includes an amount of Kshs.5,194,331 relating to debit balances which were netted off contrary to the International Public Sector Accounting Standards (IPSAS) No. 1, which states that assets and liabilities, and revenue and expenses may not be offset unless off setting is permitted or required by another IPSAS. The creditors balance also excluded an amount of Kshs.400,000 being audit fee owing to the Office of the Auditor-General. These matters are yet to be resolved by the Authority.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.795,488,000 cannot be confirmed.

## **9. Long Term Receivables from Non-exchange transactions**

The statement of financial position reflects an amount of Kshs.131,375,000 under long term receivables from non-exchange transactions. This amount relates to a loan advanced to the Kenya Planters Cooperative Union by the Government of Kenya through the defunct Coffee Board of Kenya. However KPCU is under receivership and no provision has been made in these financial statements to recognise loss that may arise if the KPCU is finally liquidated.

## **10. Borrowings**

The statement of financial position reflects an amount of Kshs.763,494,000 under non-current liabilities and an amount of Kshs.68,689,000 under current portion of borrowings. The total loan balance relates to two amounts advanced to the defunct Coffee Board of Kenya, Kshs.560,000,000 GOK loan and an amount of Kshs.225,000,000 that had been advanced to the defunct Coffee Board of Kenya for onward lending to the farmers through KPCU. The GOK loan continues to accrue penalties due to failure to pay the loan installments. The loan outstanding in the account of KPCU amounting to Kshs.131,375,000 also remains outstanding in the books as KPCU has been unable to meet its obligations.

No documents and records have been provided on these loans and consequently, the movement of the loan balances cannot be confirmed.

## **11. Unsupported balances**

11.1 In the audit report of the defunct Horticultural Crops Development Authority for the year ended 31 July 2014 it was indicated that certain balances reflected in the financial statements were at variance with balances reflected in supporting documents or were not supported at all. No supporting documentation or explanation was provided for payment of security of Kshs.3,779,946, provision of Kshs.11,098,000, export licenses of Kshs.2,946,000, employees costs variance of Kshs.459,622 and GOK recurrent grant variance of Kshs.20,515,000. Further, the unsurrendered imprests, allowance to farmers, life insurance, tax arrears, horticultural research fund prepayments, interest on fixed deposit amounts and depreciation charges, all amounting to Kshs.114,667,000 were not supported with documentary evidence or any other workings.

11.2 In addition, lease payments by the defunct Kenya Coconut Development Authority amounting to Kshs.4,206,102 for the year ended 31 July 2014 could not be ascertained as there were no lease agreements.

These matters were not resolved in the year under review. Under the circumstances, the accuracy and completeness of the opening balances of the accumulated surplus for the Authority cannot be confirmed.

## **12. Lease of Horticultural Produce Handling Facilities**

As previously reported under the defunct Horticultural Crops Development Authority, the Authority signed an agreement with Fresh Produce Exporters Association of Kenya (FPEAK) for the lease of its Horticultural Produce Handling Facilities (HPHF). However, as per the agreement signed in September 2012, FPEAK took over the facilities without any rent/charges payable to the Authority. Further, available information indicates that according to the Ministry of Lands valuation report dated 7 September, 2011 it is indicated that the Authority should have charged total rent of Kshs.3,770,000 per annum for lease of these facilities.

Further, considering that the facilities were constructed through a JICA loan to the Government of Kenya and that Treasury is still servicing the loan facility, the agreement between the Authority and FPEAK is not in the best interest of the Government of Kenya and the public. Available information also indicates that at the time of agreement, a member of the Board of Horticultural Crops Development Authority was also an official of the Fresh Produce Exporters Association of Kenya (FPEAK).

## **13. Revenue**

### **13.1 Fines, Penalties and Levies**

Note 5 to the financial statements discloses an amount of Kshs.1,574,812,000 in respect of levies, fees, cess and others. However, no documentary evidence has been produced for verification to confirm the accuracy of this figure.

### **13.2 Loss on sale of assets**

Note 20 to the financial statements reflects a negative balance of Kshs.125,000 described as a loss on sale of assets. No workings have been provided to show how the loss on disposal of assets was arrived at. Consequently, the loss of Kshs.125,000 for the year ended 30 June 2015 cannot be confirmed.

### **13.3 Gain / (losses) on foreign exchange**

Note 21 to the financial statements shows Kshs.9,098,000 described as gain on foreign exchange transactions. However, no evidence has been produced confirming how the gain was determined for the year ended 30 June 2015.

#### 13.4 Finance Income - External Investments

The statement of financial performance reflects an amount of Kshs.150,746,000 under finance income – external investments and as disclosed under Note 7 to the financial statements relates to interest income from Government securities. The management has not provided evidence to show how Kshs.150,746,000 was determined. In the absence of supporting documents or explanation, it is not possible to confirm the accuracy and completeness of Kshs.150,746,000 described as Finance Income – External Investment.

#### 13.5 Finance Income – Outstanding Receivables

The statement of financial performance reflects revenue from exchange transactions of Kshs.249,418,000, which includes Kshs.13,685,000 described under Note 8 to the financial statements as finance income – outstanding receivables. However, no supporting documents or explanation have been provided for the figure. Consequently, its validity cannot be confirmed.

#### 13.6 Other Income

The statement of financial performance's revenue from exchange transactions balance of Kshs.249,418,000 includes an amount of Kshs.9,004,000 disclosed under Note 9 to the financial statements as other income. However the management has not supported this figure with documentary evidence.

Consequently the completeness and accuracy of other income of Kshs.9,004,000 cannot be ascertained.

#### 14. Unsupported Expenses

The statement of financial performance for the year ended 30 June 2015 reflects an amount of Kshs.2,101,525,000 under expenses. Audit review of available records, however, revealed variances between identical item balances reflected in the financial statements and those reflected in the ledger as detailed below:

Item	Sub-Item	Financial statements Kshs	Ledger Kshs	Difference Kshs
Regulation & Compliance	Inspection & Surveillance	19,276,000	19,058,894	217,106
	Development & Review of Standards	5,744,000	-	5,744,000

Technical Advisory	Collaboration & Coordination	22,146,000	18,481,708	(3,664,292)
	Stakeholders Capacity building	45,119,000	-	45,119,000
	Crop Senses	3,663,000		3,663,000
Market Research & Development	Market Research & Development	10,036,000	7,677,834	2,358,166
	Value addition & Promotion	35,510,000	-	35,722,000
Repairs and maintenance	Repairs and maintenance	35,510,000	36,996	(1,486,041)
<b>Totals</b>		<b>177,296,000</b>	<b>82,214,477</b>	<b>95,081,513</b>

In view of the above, the accuracy and completeness of expenses during the year, cannot be confirmed.

#### **15. Operating and administrative costs-Security service providers**

Note 17 to the financial statements discloses an amount of Kshs.541,763,000 described as administrative expenses. Included in the amount is Kshs.5,057,136 paid to Cobra Security for providing extra security services to HCDA's six depots. However, the management has not provided evidence that the firm was contracted in compliance with Section 29(3) of the Public Procurement and Disposal Act, 2005. In addition, no explanation has been provided for terminating the contract of the previous firm, M/S Eversafe Security. In the absence of evidence, the Authority was in breach of the law.

#### **16. Disbursements to other institutions expense**

The statement of financial performance reflects an expenditure of Kshs.430,064,000 disclosed under Note 18 to the financial statements as being amounts disbursed to other institutions. However, no documentary evidence has been provided to support the expenditure. Consequently, the propriety of the expenditure cannot be confirmed.

#### **17. Variances between the financial statements and records**

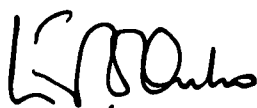
The following variances were observed between the financial statements and the documents provided for audit verifications:-

<b>Item</b>	<b>Figures in the financial Statements Kshs.000</b>	<b>Figures as per Records Kshs.000</b>	<b>Variance Kshs.000</b>
Levies, Fees & Cess	1,574,812	2,704,454	(1,129,642)
Licenses & Permits	26,114	26,287	(170)
Finance Income- External Investments	150,746	357,773	(207,027)
Other Income	37,963	9,004	28,959
Employee Costs	603,197	608,016	(4,819)
Board Expenses	4,551	2,164	2,387
Depreciation & Amortisation	101,650	130,568	(28,918)
Repairs & Maintenance	35,510	37,022	(1,512)
Operating & Admin Expe	541,763	595,254	(54,491)
Disbursements to Other institutions	430,064	1,649,575	(1,219,511)
Finance Costs	12,680	13,007	(327)
Loss on sale Of assets	3	125	(122)
Gain on forex	9,098	2,103	6,995
Cash and Cash Equivalents	2,221,047	5,661,248	(3,440,201)
Receivables from Exchange transactions	137,110	2,554,161	(2,417,054)
Receivables from Non-Exchange trans	195,949	49,906	146,043
Property, Plant & Equipment	3,827,055	3,757,664	69,391
Intangible Assets	24,249	21,358	2,891
Trade & other Payables	795,448	1,558,433	(759,985)
Current Provisions	23,360	333,498	(310,238)
Current Portion of Borrowings	763,494	709,358	54,136

The management has not provided reconciliation statements and any necessary journal adjustments for the variances.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, I do not express an opinion on the financial statements.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**24 July 2017**

**IX. STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2015**

	NOTES	2014/2015 Kshs '000	2013/2014 Kshs '000
<b>Revenue from non-exchange transactions</b>			
Government grants –(Recurrent & Development)	3	512,125	622,165
Grants from development partners	4	-	11,593
Levies, fees and Cess	5	1,574,812	1,768,863
Licenses and permits		26,114	45,719
<b>Sub-total</b>		<b>2,113,051</b>	<b>2,448,340</b>
<b>Revenue from exchange transactions</b>			
Rental revenue from facilities and equipment	6	75,983	90,353
Finance income - External investments	7	150,746	103,827
Finance income - outstanding receivables	8	13,685	15,792
Agency fees		-	-
Other income	9	9,004	16,737
<b>Sub-total</b>		<b>249,418</b>	<b>226,709</b>
<b>Total revenue</b>		<b>2,362,470</b>	<b>2,675,049</b>
<b>Expenses</b>			
Employee cost	10	603,197	734,311
Board Expenses	11	4,551	54,971
Depreciation and amortization expense	12	101,650	207,244
Repairs and maintenance	13	35,510	31,398
Regulation and compliance	14	48,103	21,511
Technical and advisory	15	126,855	89,157
Market research and development	16	197,152	138,627
Operating / Administrative Expenses	17	541,763	582,987
Disbursements to other Institutions	18	430,064	481,672
Finance costs	19	12,680	12,431
<b>Total expenses</b>		<b>2,101,525</b>	<b>2,354,311</b>
Other gains/(losses)		-	-
Gain on sale of assets	20	(125)	46,284
Gain/(Losses) on foreign exchange transactions	21	9,098	(209)
<b>Surplus for the period</b>		<b>269,918</b>	<b>366,814</b>

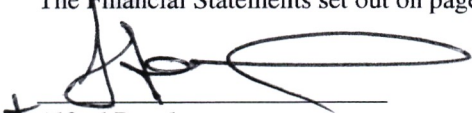
The notes set out on pages 21 to 36 form an integral part of the Financial Statements

**VIII. REPORT OF THE INDEPENDENT AUDITORS ON THE AGRICULTURE  
FISHERIES AND FOOD AUTHORITY**


**XII. STATEMENT OF FINANCIAL POSITION**  
**As at 30<sup>th</sup> June 2015**

	Notes	2014/2015 Kshs '000	2013/2014 Kshs '000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	22	2,221,047	2,044,203
Receivables from exchange transactions(Trade Debtors, prepayments)	23	137,110	142,304
Receivables from non-exchange transactions(staff Imp rests and Advance)	24	195,949	72,699
Inventories		3,011	5,070
		<b>2,557,117</b>	<b>2,264,275</b>
<b>Non-current assets</b>			
Property, plant and equipment	33	3,827,055	3,612,032
Investments		389	389
Intangible assets (software, Trademarks and Patents)	34	24,249	27,407
Long term receivables from non-exchange transactions		131,375	131,375
		<b>3,983,068</b>	<b>3,771,204</b>
<b>Total assets</b>		<b>6,540,186</b>	<b>6,035,479</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions(Creditors and accruals)	25	795,488	563,315
Refundable deposits from customers	26	543	543
Current Provisions	27	23,360	14,501
Current portion of borrowings	28	68,689	68,442
Employee benefit obligation	29	6,689	10,380
Payments received in advance	30	5,257	-
Tax Obligations	31	2,380	-
<b>Sub total</b>		<b>902,406</b>	<b>657,181</b>
<b>Non-current liabilities</b>			
Non- Current provisions	32	56,742	56,742
Borrowings	28	763,494	751,063
<b>Sub total</b>		<b>820,236</b>	<b>807,805</b>
<b>Total liabilities</b>		<b>1,722,641</b>	<b>1,464,986</b>
<b>Net assets</b>		<b>4,817,544</b>	<b>4,570,493</b>
Reserves		4,884,989	4,917,823
Accumulated surplus		(67,445)	(347,330)
<b>Total net assets and liabilities</b>		<b>4,817,544</b>	<b>4,570,493</b>

The Financial Statements set out on pages 12 to 20 were signed on behalf of Management by:

  
 Alfred Busolo  
 Interim Director General

Date: 29/9/15

  
 Elias Kiragu  
 Interim Head, Finance & Administration

Date: 29/9/15

**XIII. STATEMENT OF CHANGES IN NET ASSETS.**

For the year ended 30<sup>th</sup> June 2015

	Capital reserve Kshs '000	Grants reserve Kshs '000	Revaluation Reserve Kshs '000	General/ Accumulated surplus Kshs '000	Total Kshs '000
<b>Balance as at 31st July 2013</b>	533,047	1,759,564	2,593,281	(267,474)	4,618,418
Surplus/(deficit) for the period	-	-	-	-	-
Transfers to/from accumulated surplus	-	-	(902)	157,661	157,661
<b>Balance as at 30<sup>th</sup> JUNE 2014</b>	<b>533,047</b>	<b>1,759,564</b>	<b>2,592,378</b>	<b>(319,685)</b>	<b>4,565,304</b>
Surplus for the period	-	-	-	269,918	269,918
Transfers to/from accumulated surplus	-	-	-	(17,678)	(17,678)
<b>Balance as at 30 JUNE 2015</b>	<b>533,047</b>	<b>1,759,564</b>	<b>2,592,378</b>	<b>(67,445)</b>	<b>4,817,544</b>

#### XIV. STATEMENT OF CASH FLOWS

Cash generated from operations	2014/2015	2013/2014
	Kshs 000	KShs 000
<b>Surplus for the year before tax</b>	269,918	366,814
<b>Adjusted for:</b>	-	-
Depreciation	101,650	206,775
Impairment	-	470
Gains and losses on foreign exchange	(9,098)	-
Contribution to provisions	19,261	5,795
Gains and losses on disposal of assets	125	(46,284)
Transfers to/from accumulated surplus	17,675	(214,222)
Finance income	(130,287)	(73,799)
Finance cost	12,680	12,431
<b>Working capital adjustments:</b>	-	-
Increase/Decrease in inventory	2,058	(244)
Increase/Decrease in receivables	(118,055)	(36,494)
Increase/Decrease in deferred income	-	(6,789)
Increase/Decrease in payables	219,716	23,294
Increase/Decrease in payments received in advance	-	-
<b>Net cash flows from operating activities</b>	<b>385,641</b>	<b>237,746</b>
<b>Cash flows from investing activities</b>	-	-
Purchase of property, plant, equipment and intangible assets	(314,288)	(269,087)
Purchase of property, plant, equipment and intangible assets	(1,392)	(1,900)
Proceeds from sale of property, plant and equipment	-	46,988
Gains and losses on foreign exchange	9,098	(209)
Finance income	130,287	82,146
<b>Net cash flows used in investing activities</b>	<b>(176,295)</b>	<b>(142,062)</b>
<b>Cash flows from financing activities</b>	-	-
Proceeds from borrowings	-	68,597
Repayment of borrowings	-	(7,176)
Increase in deposits	-	-
Funds under EU SRSP Financing	(32,502)	(6,758)
<b>Net cash flows used in financing activities</b>	<b>(32,502)</b>	<b>54,663</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>176,845</b>	<b>150,347</b>
Cash and cash equivalents at 1 August 2014	2,044,203	1,893,856
<b>Cash and cash equivalents at 30 June 2015</b>	<b>2,221,047</b>	<b>2,044,203</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

S/N	ITEM DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
		2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000	2014-2015 Kshs '000
<b>1.0</b>	<b>EXPECTED REVENUE</b>					
1.1	Internally Generated Funds	1,842,995	-	1,847,612	1,626,736	(220,876)
1.2	Government Grants-Recurrent	488,275	-	488,275	512,125	23,849
1.3	Grants - Dev't Partners	22,541	-	22,541	-	(22,541)
1.4	Other Income from Recurrent Reserves	141,443	-	140,808	232,583	91,775
		91,667	-	91,667	-	(91,667)
	<b>Total Revenue</b>	<b>2,586,921</b>	<b>-</b>	<b>2,590,902</b>	<b>3,371,443</b>	<b>(219,459)</b>
<b>2.0</b>	<b>PERSONNEL COSTS</b>					
2.1	Basic Pay	511,614	-	511,614	330,021	181,594
2.2	House Allowance	99,669	-	99,669	74,446	25,223
2.3	Commuter Allowance	45,103	-	45,103	37,062	8,042
2.4	Airtime Allowance	5,978	-	5,978	5,281	697
2.5	Entertainment Allowance	2,100	-	2,100	1,786	314
2.6	Extraneous Allowance	7,017	-	7,017	4,960	2,057
2.7	Leave Allowance	5,424	(800)	4,624	4,874	(251)
2.8	Pension/Gratuity	79,972	(1,500)	78,472	56,712	21,760
2.9	NSSF	3,975	-	3,975	1,130	2,844
2.10	Medical expenses	73,045	3,000	76,045	78,267	(2,222)
2.11	Other Allowances	10,097	-	10,097	10,040	58
2.12	Casual Wages	1,662	-	1,662	2,097	(435)
2.13	Internship/Attachments	941	200	1,141	1,906	(765)
	<b>Sub Total</b>	<b>846,596</b>	<b>900</b>	<b>847,496</b>	<b>608,581</b>	<b>238,915</b>
<b>3.0</b>	<b>BOARD EXPENSES</b>					
3.1	Sitting Allowance	4,903	(2,560)	2,343	1,177	1,166
3.2	Accommodation and Subsistence	2,714	(1,790)	925	703	221
3.3	Sub -Committees Sitting Allowance	-	-	-	-	-
3.4	Corporate Governance Trainings	321	600	921	881	40
3.5	Chairman's Honorarium	972	-	972	-	972
3.6	Farmers travel committees	-	-	-	-	-
3.7	Mileage -Farmers	-	-	-	-	-
3.8	Induction	-	-	-	-	-
3.9	Lunch allowance	-	-	-	-	-
3.10	Board Medical Insurance	642	-	642	-	642
3.11	All Directors- Travel	39,417	-	39,738	1,419	38,318
3.12	Telephone and Postage	-	-	-	-	-
3.13	Board Elections	31,787	(5,500)	26,287	-	26,287
3.14	Others	-	-	-	370	(370)
	<b>Sub Total</b>	<b>80,756</b>	<b>(9,250)</b>	<b>71,827</b>	<b>4,551</b>	<b>67,276</b>
<b>4.0</b>	<b>OPERATING EXPENSES/ADMISTRATIVE EXPENSE</b>					
<b>4.1</b>	<b>Regulation &amp; Compliance</b>					
a)	Registration & licensing	4,812	1,000	6,312	5,161	1,152
b)	Inspections & Surveillance	18,354	(2,000)	16,354	13,053	3,300

	c) Development and Review of Standards	4,400	(3,000)	1,400	5,745	(4,345)
	d) Quality analysis	4,672	-	4,672	5,763	(1,091)
	e) Stakeholders Forums	10,998	-	10,998	13,742	(2,743)
	f) International Forum/Meetings	2,475	-	2,475	717	1,759
	g) Consultancies	-	-	-	-	-
	h) Industry data collection and forecasting/ e portal	3,300	-	3,300	3,923	(623)
	<b>Sub Total</b>	<b>49,011</b>	<b>(4,000)</b>	<b>45,511</b>	<b>48,103</b>	<b>(2,592)</b>
<b>4.2</b>	<b>Technical and Advisory</b>	-	-	-	-	-
	a) Stakeholders Forums	8,938	-	8,938	8,511	427
	b) Field Days	10,667	500	11,167	6,203	4,964
	c) Collaborations and coordination	7,930	-	7,930	13,875	(5,946)
	d) Stakeholders capacity building	19,708	2,000	21,708	30,558	(8,850)
	e) Environmental sustainability	-	-	-	48	(48)
	f) International Forum/Meetings	2,750	-	2,750	4,167	(1,417)
	g) Seeds Management/Census	63,542	-	63,542	55,375	8,167
	<b>Sub Total</b>	<b>113,534</b>	<b>2,500</b>	<b>116,034</b>	<b>118,737</b>	<b>(2,703)</b>
<b>4.3</b>	<b>Market Research &amp; Development</b>	-	-	-	-	-
	a) Generic Promotion & Market Dev't	89,137	10,150	99,286	97,642	1,644
	b) Market Research	7,900	-	7,900	6,382	1,518
	c) Subscriptions to Associations	17,083	-	17,083	17,864	(782)
	d) Product Promotion	9,267	(4,500)	4,767	4,262	505
	e) Overseas conference Expenses	20,359	6,600	26,959	33,208	(6,249)
	f) Value Addition	117,183	1,200	118,383	37,795	80,589
	g) Market registration	-	-	-	-	-
	<b>Sub Total</b>	<b>260,928</b>	<b>13,450</b>	<b>274,378</b>	<b>197,153</b>	<b>77,225</b>
<b>4.4</b>	<b>Corporate Communication</b>	-	-	-	-	-
	a) Public awareness	4,583	-	4,583	11,337	(6,754)
	b) Public relations and corporate branding	917	-	917	12,938	(12,021)
	c) Shows , Exhibitions & trade fairs	24,027	2,000	26,027	32,854	(6,827)
	d) Corporate Social Responsibility	6,617	(200)	6,617	3,402	3,214
	<b>Sub Total</b>	<b>36,144</b>	<b>1,800</b>	<b>38,144</b>	<b>60,532</b>	<b>(22,388)</b>
<b>4.5</b>	<b>Research, Strategy and Planning</b>	-	-	-	9,733	(9,733)
	<b>Sub Total</b>	-	-	-	<b>9,733</b>	<b>(9,733)</b>
<b>4.6</b>	<b>Disbursements</b>	-	-	-	-	-

	Statutory	500,547	-	500,547	409,906	90,641
	Refunds	22,041	-	-	20,157	(20,157)
	<b>Sub Total</b>	<b>522,588</b>	<b>-</b>	<b>500,547</b>	<b>430,064</b>	<b>70,484</b>
<b>4.7</b>	<b>Human Resource Costs</b>					-
	a) Staff Welfare	18,983	(900)	18,083	15,135	2,948
	b) Trainings, Seminar, Retreats and Workshops	59,103	(3,000)	58,103	56,743	1,361
	c) Consultancies	7,687	-	7,687	10,329	(2,643)
	d) Subscriptions to Professional Bodies	3,383	-	3,383	2,390	994
	e) Staff Uniforms	2,405	(400)	2,005	1,030	975
	f) Team Building	1,833	-	1,833	774	1,059
	g) Internships and attachment	917	-	917	485	432
	<b>Sub Total</b>	<b>94,311</b>	<b>(4,300)</b>	<b>92,011</b>	<b>86,886</b>	<b>5,125</b>
<b>4.7</b>	<b>Audit Expense</b>					-
	a) Audit Fees	3,255	-	3,255	3,014	241
	b) Systems Audit	-	-	-	1,768	(1,768)
	c) Internal Audit	3,406	-	3,406	6,587	(3,181)
	d) Risk and Risk Management	-	-	-	877	(877)
	e) ISO Audits	2,842	(600)	2,242	6,255	(4,013)
	<b>Sub Total</b>	<b>9,502</b>	<b>(600)</b>	<b>8,902</b>	<b>18,501</b>	<b>(9,599)</b>
<b>4.8</b>	<b>Legal Costs</b>					-
	a) Legal Services	51,404	(3,000)	48,404	19,117	29,287
	b) Travel & Subsistence	-	-	-	396	(396)
	c) Workshops	-	-	-	-	-
	<b>Sub Total</b>	<b>51,404</b>	<b>(3,000)</b>	<b>48,404</b>	<b>19,513</b>	<b>28,892</b>
<b>4.9</b>	<b>Finance &amp; Administration</b>					-
	a) Office Expenses	2,173	-	2,173	-	2,173
	i. common user items- Printing and Stationery	24,733	(1,500)	23,233	28,334	(5,101)
	ii. Communication Telephone and Postage	17,460	-	17,460	19,196	(1,737)
	iii. Email And Internet	3,805	-	3,805	6,420	(2,615)
	b) General Expenses	10,851	-	10,851	34,256	(23,405)
	c) Vehicle Running Expenses	3,259	2,000	5,259	4,623	636
	i. Fuel	17,783	-	17,783	17,449	334
	ii. Others	4,913	-	4,913	5,475	(562)
	d) Insurance Expenses	24,673	-	24,673	11,841	12,832
	e) Local Travelling Expenses	62,946	2,300	65,246	100,948	(35,702)
	f) International travel	17,014	-	17,014	20,050	(3,036)
	h) Security	12,251	-	12,251	13,180	(929)

	i) Utilities- Electricity and water	12,775	3,800	16,575	16,473	102
	j) Rent and rates	21,632	-	21,632	18,785	2,847
	k) Retreats	-	-	-	3,373	(3,373)
	l) Computer Accessories	2,338	-	2,338	4,772	(2,435)
	m) Record management	-	-	-	2,749	(2,749)
	n) Cleaning, Garbage & Sanitary	8,714	(1,500)	7,214	8,215	(1,001)
	o) Management Fees/Audit fees	2,442	-	2,442	1,723	719
	p) Newspapers, Periodicals, Journals and subscriptions	3,692	-	3,692	2,720	973
	q) Airticket	2,017	-	2,017	1,521	496
	r) Advertising and Publicity	14,500	1,000	15,500	16,762	(1,262)
	s) Bank Charges	1,790	-	1,790	1,823	(33)
	t) Hire of taxi	1,283	-	1,283	2,157	(874)
	u) Director General Office	-	-	-	664	(664)
	V) Supply chain Department	-	-	-	-	-
	w) ICT	2,292	-	2,292	1,594	698
	<b>Sub Total</b>	<b>275,334</b>	<b>6,100</b>	<b>281,434</b>	<b>345,102</b>	<b>(63,668)</b>
		-	-	-	-	-
<b>4.10</b>	<b>FOOD CROPS</b>	-	-	-	-	-
<b>5.0</b>	<b>REPAIRS AND MAINTAINANCE</b>	-	-	-	-	-
	a) Automobiles	15,517	(500)	15,017	14,789	228
	b) Buildings	15,906	(4,100)	11,806	8,618	3,189
	c) Computers & Equipment	8,938	-	8,938	4,288	4,650
	d) Others	2,626	1,000	3,626	9,653	(6,027)
	<b>Sub Total</b>	<b>42,987</b>	<b>(3,600)</b>	<b>39,387</b>	<b>37,347</b>	<b>2,040</b>
<b>6.0</b>	<b>FINANCE COSTS</b>	11,458	-	11,458	16,072	(4,614)
	<b>TOTAL EXPENDITURE OPERATING SURPLUS/(DEFICIT)</b>	<b>2,394,553</b>	<b>-</b>	<b>2,375,533</b>	<b>2,000,876</b>	<b>374,658</b>
		<b>192,368</b>	<b>-</b>	<b>215,369</b>	<b>370,567</b>	<b>(155,198)</b>
<b>7.0</b>	<b>DEPRECIATION AND AMORTIZAION</b>	94,441	-	94,441	101,650	(7,209)
	<b>SURPLUS/(DEFICIT)</b>	<b>97,927</b>	<b>-</b>	<b>120,928</b>	<b>268,918</b>	<b>(147,989)</b>

## 8.0 CAPITAL EXPENDITURE

a) Buildings	260,365	(25,100)	188,365	146,407	41,958
b) Plant and Equipment	9,900	25,000	2,900	-	2,900
c) Laboratory	-	-	-	-	-
d) Automobiles	61,475	-	61,475	78,955	(17,480)
e) Computer and Electronic Equipment	68,928	100	68,928	24,527	44,401
f) Office and Communication Equipment	44,343	-	44,343	63,038	(18,695)
g) Furniture and Fittings	9,033	-	9,033	2,752	6,281
<b>Total Capital Budget</b>	<b>454,044</b>	<b>-</b>	<b>375,044</b>	<b>315,679</b>	<b>59,365</b>
<b>OVERALL SURPLUS/(DEFICIT)</b>	<b><u>(356,117)</u></b>	<b><u>-</u></b>	<b><u>(254,116)</u></b>	<b><u>(46,761)</u></b>	<b><u>(207,355)</u></b>

## VARIANCE ANALYSIS

The budget is on directorate's programmes to be undertaken during the financial year. The Authority reviews its budget depending on the performance of individual programme/ activities in the sixth month of the implementation.

## **XVI. NOTES TO THE FINANCIAL STATEMENTS**

### **Agriculture Fisheries & Food Authority**

#### **1. Statement of compliance and basis of preparation – IPSAS 1**

The Agriculture Fisheries and Food Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agriculture Fisheries and Food Authority and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been applied to all transactions in the year under review.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

#### **2. Summary of significant accounting policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

##### **Fees, taxes and fines**

The Agriculture Fisheries and Food Authority recognizes revenues from fees, levies and cess when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agriculture Fisheries and Food Authority and the fair value of the asset can be measured reliably.

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agriculture Fisheries and Food Authority and can be measured reliably.

##### **ii) Revenue from exchange transactions – IPSAS 9**

##### **Rendering of services**

The Agriculture Fisheries and Food Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

##### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

## **Rental income**

This is the income arising from investment properties on a rental.

## **b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agriculture Fisheries and Food Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

## **c) Taxes – IAS 12**

### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Agriculture Fisheries and Food Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

## **d) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

## **e) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agriculture Fisheries and Food Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

The Authority applied the Straight Line Method for depreciating all fixed assets as follows:-

<b>Asset</b>	<b>Depreciation Rate</b>	<b>Useful Life</b>
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Motor Vehicles	25.00%	4yrs
Computers	33.30%	3yrs
Office & Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

#### **f) Intangible assets – IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

<b>Asset</b>	<b>Depreciation Rate</b>	<b>Useful Life</b>
Intangible Assets	20%	5yrs

#### **g) Financial instruments – IPSAS 29**

##### **Financial assets**

##### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agriculture Fisheries and Food Authority determines the classification of its financial assets at initial recognition.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

#### **h) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agriculture Fisheries and Food Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

### **i) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Agriculture Fisheries and Food Authority.

### **j) Provisions – IPSAS 19**

Provisions are recognized when the Agriculture Fisheries and Food Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agriculture Fisheries and Food Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **Contingent liabilities**

The Agriculture Fisheries and Food Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### **k) Nature and purpose of reserves**

The Agriculture Fisheries and Food Authority creates and maintains reserves in terms of specific requirements. Agriculture Fisheries and Food Authority states the reserves maintained and appropriate policies adopted.

#### **l) Changes in accounting policies and estimates – IPSAS 3**

This is the first year of operation of Agriculture Fisheries and Food Authority, the policies are applied for the first time prospectively.

#### **m) Employee benefits – IPSAS 25**

##### **Retirement benefit plans**

The Agriculture Fisheries and Food Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Agriculture Fisheries and Food Authority pays fixed contributions into a separate Agriculture Fisheries and Food Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

#### **n) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **o) Borrowing costs – IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

#### **p) Related parties – IPSAS 20**

The Agriculture Fisheries and Food Authority regards a related party as a person with the ability to exert control individually or jointly, or to exercise significant influence over the Agriculture Fisheries and Food Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General, Heads of Directorates and senior managers.

#### **q) 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 financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **r) Comparative figures**

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

#### **s) Significant judgments and sources of estimation uncertainty – IPSAS 1**

The preparation of the Agriculture Fisheries and Food Authority's financial statements in conformity with IPSAS 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.

Following the merger of all scheduled crops by the enactment of AFFA Act 2013 and crops Act 2013, it was apparent that various former institutions applied different methods and rates of depreciating of their assets.

However it is not possible to proceed with the same approach after the merger and a common approach on the computation of the depreciation of all assets of AFFA was necessary for uniformity in view of this the net book values as at 31<sup>st</sup> July 2014, were taken as the cost and all the directorates applied the same as per the authority's policy on depreciation awaiting the revaluation of the all assets.

#### **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 Agriculture Fisheries and Food Authority based its assumptions and estimates on parameters available when the consolidated 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 Agriculture Fisheries and Food Authority. Such changes are reflected in the assumptions when they occur.  
IPSAS 1.140

#### **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 Agriculture Fisheries and Food Authority

- 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 asset
- Changes in the market in relation to the asset

#### t) Subsequent events – IPSAS 14

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, 2015.

### 3. Government Grants

	2014/2015	2013/2014
	Kshs 000	KShs 000
Government Grants-Recurrent	512,125	622,165
<b>Total</b>	<b>512,125</b>	<b>622,165</b>

### 4. Grants from Development Partners

	2014/2015	2013/2014
	Kshs 000	KShs 000
Government Grants-Recurrent	-	11,593
<b>Total</b>	<b>-</b>	<b>11,593</b>

### 5. Levies, Fees and Cess

	2014/2015	2013/2014
	Kshs 000	KShs 000
Levies	1,498,998	1,695,469
Fees	4,099	3,596
Cess	71,001	69,660
Others	714	139
<b>Total</b>	<b>1,574,812</b>	<b>1,768,863</b>

### 6. Rental revenue from facilities and equipment

	2014/2015	2013/2014
	Kshs 000	KShs 000
Rental Income from Buildings	60,889	90,313
Hire of equipment	15,094	40
<b>Total rentals</b>	<b>75,983</b>	<b>90,353</b>

### 7. Finance income - external investments

	2014/2015	2013/2014
	Kshs 000	KShs 000
Government Securities( Bonds & T- Bills)	-	2,301
Fixed deposits	150,746	101,526
<b>Total finance income – external investments</b>	<b>150,746</b>	<b>103,827</b>

## 8. Finance income - outstanding receivables

	2014/2015	2013/2014
	Kshs 000	KShs 000
Others	13,685	15,792
<b>Total receivables finance income – outstanding</b>	<b>13,685</b>	<b>15,792</b>

## 9. Other income

	2014/2015	2013/2014
	Kshs 000	KShs 000
Sale of Bonded items	-	1,725
Others	9,004	15,011
<b>Total other income</b>	<b>9,004</b>	<b>16,737</b>

## 10. Employee costs

	2014/2015	2013/2014
	Kshs 000	KShs 000
Employee related costs - salaries and wages	463,843	553,640
Employee related costs - NSSF & contributions to pensions	42,467	91,175
medical expenses	72,174	58,594
Staff Gratuities	12,818	19,113
Overtime payments	3,963	-
Others	7,931	11,790
<b>Total</b>	<b>603,197</b>	<b>734,311</b>

## 11. Board Expenses

	2014/2015	2013/2014
	Kshs 000	KShs 000
Sitting Allowance	1,787	19,426
Accommodation and Subsistence	919	19,174
Corporate Governance Trainings	881	1,242
Chairman's Honorarium	-	2,553
Directors Travel	593	11,573
Board Medical Insurance/GPA insurance Expense	-	879
Others	370	125
<b>Total Board Expenses</b>	<b>4,551</b>	<b>54,971</b>

## 12. Depreciation and amortization expense

	2014/2015	2013/2014
	Kshs 000	KShs 000
Property, plant and equipment	56,038	143,576
Intangible assets	45,611	63,668
<b>Total depreciation and amortization</b>	<b>101,650</b>	<b>207,244</b>

### 13. Repairs and maintenance

	2014/2015	2013/2014
	Kshs 000	KShs 000
Buildings	7,878	6,860
Plant and Equipment	9,876	1,471
Automobiles	13,993	11,484
Computer and Electronic Equipment's	1,355	6,030
Office and Communication Equipment	2,380	5,345
Furniture and Fittings	28	208
<b>Total</b>	<b>35,510</b>	<b>31,398</b>

### 14. Regulation and Compliance

	2014/2015	2013/2014
	KShs 000	Kshs 000
Registration & licensing	2,821	3,272
Inspections & Surveillance	19,276	5,357
Development and Review of Standards	5,744	237
Quality analysis	4,797	2,873
Stakeholders For a	11,436	3,050
International Fora/Meetings	106	-
Consultancies	-	6,722
Industry data collection and forecasting/ e portal	3,923	-
<b>Total</b>	<b>48,103</b>	<b>21,511</b>

### 15. Technical and advisory

	2014/2015	2013/2014
	Kshs 000	KShs 000
Collaborations and coordination's	22,146	10,868
Stakeholders capacity building	45,119	30,064
Environmental sustainability	48	-
International Fora/Meetings	4,167	2,813
Seeds supply & management	51,712	45,412
Crop census	3,663	-
<b>Total</b>	<b>126,855</b>	<b>89,157</b>

### 16. Market Research and Development

	2014/2015	2013/2014
	Kshs 000	KShs 000
Generic Promotion	101,391	80,868
Market Research & development	10,036	822
Subscriptions to Associations	17,864	17,350
International conference	32,089	14,731
Value Addition promotion	35,772	24,856
<b>Total</b>	<b>197,152</b>	<b>138,627</b>

## 7. Operating / Administrative expenses

	2014/2015	2013/2014
	Kshs 000	KShs 000
Printing and Stationery	32,284	31,578
Communication Telephone and Postage	25,449	24,423
Vehicle Running Expenses	27,219	32,413
Insurance Expenses	17,710	24,949
Local Travel Expenses	107,259	124,420
International travel	20,051	15,864
Security	13,180	19,357
Electricity and water	16,473	13,144
Rent and rates	18,785	27,125
Computer Accessories	4,792	3,093
Record management	2,749	-
Cleaning, Garbage & Sanitary	8,215	6,558
Management Fees/ AFFA expenses/disbursements	1,259	1,991
Newspapers, Periodicals, Journals and subscriptions	2,887	2,052
Advertising and Publicity	16,744	13,285
Bank Charges	1,823	1,738
Software license	2,615	4,291
Public awareness	11,421	386
Staff Welfare	17,458	20,155
Trainings, Seminar, Retreats and Workshops	60,115	55,958
Consultancies	16,802	13,354
Subscriptions to Professional Bodies	2,390	2,256
Staff Uniforms	1,030	865
Team Building	774	1,544
Audit Fees	3,478	3,827
ISO Audits	9,517	2,241
Legal Services	20,321	86,306
Public relations and corporate branding	20,109	11,838
Shows , Exhibitions & trade fairs	25,683	21,111
Corporate Social Responsibility	3,420	6,606
General Expenses	29,752	10,259
<b>Total</b>	<b>541,763</b>	<b>582,987</b>

## 18. Disbursements to other Institutions

	2014/2015	2013/2014
	KShs 000	KShs 000
Levy Collected	816,979	964,941
Research Institute	321,461	382,265
Fund/Refunds	108,603	99,407
<b>Total Disbursements</b>	<b>430,064</b>	<b>481,672</b>

## 19. Finance costs

	2014/2015	2013/2014
	KShs 000	KShs 000
Interest on Borrowings	12,680	12,431
<b>Total finance costs</b>	<b>12,680</b>	<b>12,431</b>

## 20. Gain/Loss on sale of assets

	2014/2015	2013/2014
	KShs 000	KShs 000
Property, plant and equipment	(125)	46,487
Other assets	-	(203)
<b>Total gain on sale of assets</b>	<b>(125)</b>	<b>46,284</b>

## 21. Gain/ losses on foreign exchange transactions

Gain/Loss	9,098	(209)
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Transactions during the year are translated at the rates ruling at the dates of the transactions. Exchange differences arising thereon are dealt with in the Income and Expenditure Account.

## 22. Cash and cash equivalents

	2014/2015	2013/2014
	KShs 000	KShs 000
Bank	451,069	594,023
Cash-on-hand and in transit	967	2,956
Short-term deposits	1,602,064	1,280,278
Collateral Deposit	166,946	166,946
<b>Total cash and cash equivalents</b>	<b>2,221,047</b>	<b>2,044,203</b>

## 23. Receivables from exchange transactions

	2014/2015	2013/2014
	KShs 000	KShs 000
<b>Current receivables</b>		
Rent debtors	8,864	5,819
Trade Debtors	113,723	113,233
Prepayments	14,624	23,351
Less: impairment allowance	(100)	(100)
<b>Total</b>	<b>137,110</b>	<b>142,304</b>

## 24. Receivables from non-exchange contracts

	2014/2015	2013/2014
	KShs 000	KShs 000
Current receivables		
Grant Receivable	-	14,250
Staff debtors	173,736	50,432
Staff Advance (Clearance)	22,215	8,017
<b>Total current receivables</b>	<b>195,950</b>	<b>72,699</b>

## 25. Trade and other payables from exchange transactions

	2014/2015	2013/2014
	KShs 000	KShs 000
Trade payables	464,591	178,370
Projects funds/ clearance	17,032	27,711
Third party payable	301,923	314,256
Other payables	11,943	42,979
<b>Total trade and other payables</b>	<b>795,488</b>	<b>563,315</b>

## 26. Refundable deposits from customers

	2014/2015	2013/2014
	KShs 000	KShs 000
Consumer deposits	543	543
<b>Total deposits</b>	<b>543</b>	<b>543</b>

## 27. Current provisions

	Contingent Liabilities KShs 000	Other Provisions KShs 000	Performance Bonuses KShs 000	Total KShs 000
Balance at the beginning of the year	2,717	19,818	-	22,535
Additional provisions raised	-	12,910	-	12,910
Provision utilized	(2,320)	(9,765)	-	(12,085)
<b>Balance as at 30 June 2015</b>	<b>397</b>	<b>22,963</b>	<b>-</b>	<b>23,360</b>

## 28. Current Portion of Borrowings

	2014/2015	2013/2014
	KShs 000	KShs 000
Other Loans	832,173	819,494
	832,182	819,505
<b>Less: Total non-current borrowings</b>	<b>763,494</b>	<b>751,063</b>
<b>Total current portion of bank loans</b>	<b>68,689</b>	<b>68,442</b>

## 29. Employee benefit obligation

	Defined Benefit Plan	Others	Total
	KShs 000	KShs 000	KShs 000
Current benefit obligation	6,689	-	6,689
Non-current benefit obligation	-	-	-
<b>Total employee benefit liability</b>	<b>6,689</b>	<b>-</b>	<b>6,689</b>

## 30. Payments received in advance

	2014/2015	2013/2014
	KShs 000	KShs 000
Prepaid income	5,257	-
Others	-	-
<b>Total deferred income</b>	<b>5,257</b>	<b>-</b>

## 31. Tax Obligations

	2014/2015	2013/2014
	KShs 000	KShs 000
VAT	784	-
PAYE	198	-
Withholding	1,398	-
<b>Total deferred income</b>	<b>2,380</b>	<b>-</b>

## 32. Non- Current provisions

	Contingent Liabilities	Other Provisions	Performance Bonuses	Total
	KShs 000	KShs 000	KShs 000	KShs 000
Balance at the beginning of the year	-	56,742	-	56,742
Additional provisions raised	-	-	-	-
Provision utilized	-	-	-	-
Transferred from non-current provisions	-	-	-	-
<b>Balance as at 30 June 2015</b>	<b>-</b>	<b>56,742</b>	<b>-</b>	<b>56,742</b>

33. Property, plant and equipment

	Land	Buildings	Plant and Equipment	Automobiles	Computer and Electronic Equipment	Office and Communication Equipment	Work in Progress	Furniture and Fittings	TOTAL
Cost	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
At 1 July 2013	580,600	2,912,085	438,827	378,724	76,901	65,138	-	115,874	4,158,598
Additions	-	240,532	1,426	12,487	11,142	6,827	-	1,304	269,087
Disposals	-	-	-	(183,878)	(1,922)	(490)	-	(288)	(185,996)
Transfers/adjustments	-	-	-	-	(4,229)	4,229	-	-	-
<b>At 31 July 2014</b>	<b>580,600</b>	<b>3,152,617</b>	<b>440,253</b>	<b>207,333</b>	<b>81,892</b>	<b>75,705</b>	<b>20,848</b>	<b>116,890</b>	<b>4,655,289</b>
Additions	-	146,407	-	78,955	23,135	42,191	20,848	2,752	314,288
Disposals	-	-	-	-	(206)	-	-	-	(206)
<b>At 30 June 2015</b>	<b>580,600</b>	<b>3,299,024</b>	<b>440,253</b>	<b>286,288</b>	<b>104,820</b>	<b>117,917</b>	<b>20,848</b>	<b>119,642</b>	<b>4,969,371</b>
<b>Depreciation and impairment</b>									
At 1 July 2013	-	222,958	376,975	307,820	32,138	21,687	-	70,499	1,032,076
Depreciation	-	75,027	55,114	30,260	18,642	7,775	-	11,914	198,733
Elimination on disposal/Restatement	-	992	-	(183,878)	(1,663)	(208)	-	(127)	(184,885)
<b>At 31 July 2014</b>	<b>-</b>	<b>298,976</b>	<b>432,089</b>	<b>154,202</b>	<b>49,116</b>	<b>29,254</b>	<b>-</b>	<b>82,286</b>	<b>1,045,924</b>
Depreciation	-	59,546	936	12,503	12,926	6,515	-	4,069	96,494
Disposals	-	-	-	-	(81)	-	-	-	(81)
<b>At 30 June 2015</b>	<b>-</b>	<b>358,522</b>	<b>433,025</b>	<b>166,706</b>	<b>61,961</b>	<b>35,769</b>	<b>-</b>	<b>86,355</b>	<b>1,142,337</b>
<b>Net book values</b>									
At 30 June 2015	580,600	2,940,501	7,228	119,583	42,860	82,149	20,848	33,287	3,827,055
At 30 June 2014	580,600	2,853,640	8,164	55,798	32,775	46,451	-	34,604	3,612,032

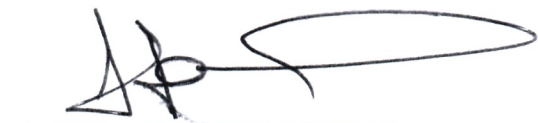
### 34. Intangible Assets


	2014/2015	2013/2014
	KShs 000	KShs 000
<b>Cost</b>		
<b>At 1 July 2013</b>	54,290	52,183
Additions	1,900	2,107
<b>At 31st July 2014</b>	<b>56,190</b>	<b>54,290</b>
Additions – internal development	1,392	1,900
<b>At 30 June 2015</b>	<b>57,582</b>	<b>56,190</b>
<b>Amortization and impairment</b>	-	-
<b>At 1 July 2013</b>	<b>22,099</b>	<b>15,093</b>
Amortization	6,078	7,611
<b>At 31st July 2014</b>	<b>28,177</b>	<b>22,704</b>
Amortization	5,155	6,078
Impairment loss	-	-
<b>At 30 June 2015</b>	<b>33,333</b>	<b>28,782</b>
<b>Net book values</b>	-	-
<b>At 30 June 2015</b>	<b>24,249</b>	<b>27,407</b>
<b>At 31st July 2014</b>	<b>27,407</b>	<b>33,392</b>

**XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

  
 Alfred Busolo  
 Interim Director General  
 Administration  
 Date: 29/9/15

  
 Elias Kiragu  
 Interim Head, Finance &  
 Date: 29/9/15