

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

PARLIAMENT
OF KENYA
LIBRARY

**KAKAMEGA COUNTY DAIRY
DEVELOPMENT CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2023**



REPUBLIC OF KENYA

COUNTY GOVERNMENT OF KAKAMEGA

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
(KDDC)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
VC	Vice Chancellor

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega on 4th July 2018, as a body corporate with perpetual succession and common seal, to provide a legal framework for the development of the dairy value chain in Kakamega County. The Act makes provisions for the role of the corporation in the dairy industry in the County and related matters in furtherance of the fourth schedule of the constitution. The Corporation is domiciled under the Department of Agriculture, Livestock, Fisheries and Cooperatives.

The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.

The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.

Currently the Corporation is managed partly by staff seconded from county line departments of Agriculture, Livestock & Cooperatives; Finance & Economic Planning ICT, e-Government and Communication & Budget; and Office of the Governor and partly by staff recruited by the corporation on contract terms (farm managers, drivers, farm hands, casuals and security guards).

The Corporation has developed its five-year Strategic Plan. The plan is due for review in the FY 2023-24. The corporation has an official logo and Service Charter already in place. The 5-year Strategic plan will from the FY 2023-24 enable the corporation set an ambitious plan for its future activities and help determine how best to achieve these. The plan will also enable the corporation to determine the direction and focus on the corporation's efforts to ensure that everyone in the corporation is working towards a common goal.

The corporation is also in the process of developing its key corporate governance policies to guide the management achieve its mandate while providing its services. The Board of Directors

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with the parent departments of Agriculture, Livestock & Fisheries; Finance, Economic Planning, ICT, e-Government and Communication & Budget; and Office of the Governor have been proactive in guiding and supporting the corporation management to steer the corporation in the right direction.

The corporation's head office is situated at the County Government of Kakamega rented Sahajanand Building in Kakamega town along Mumias road. The corporation intends to construct its head office at one of the Smart Dairy Farms in future.

The corporation is currently implementing two major programmes namely the establishment of twelve smart dairy farms, one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative). The corporation has established and operationalized four smart dairy farms in Lurambi, Matungu, Lugari and Khwisero sub counties with a total of 130 dairy animals. Each smart dairy farm hosts an average of 30 dairy cows.

The corporation has also commissioned for construction six (6) new smart dairy farms in Malava, Ikolomani, Butere, Mumias East, Navakholo and Likuyani sub counties. By close of the financial year, construction activities at the five new smart farms were at 20% to 95% completion rates.

Since its inception in the year 2015, the One Cow Initiative programme has procured and distributed 1970 in-calf dairy cows to selected farmer beneficiaries. The beneficiaries have also passed on over 1,116 heifers to new beneficiaries since its inception. In the reporting period, the corporation procured and distributed 180 dairy animals to selected farmer beneficiaries. The selected beneficiaries have also been trained on animal husbandry practices before benefitting from the dairy cows.

In the reporting period, over 300 heifers were passed on from the first and second dairy cows' beneficiaries to new beneficiaries within the localities. Milk production in households benefitting from dairy cows and heifer pass-ons has increased from an average of 4 litres per cow per day to over 10 litres per cow per day. The benefitting households have increased their household incomes from sale of milk and their nutritional status, especially for children under 5 years of age.

To increase the efficiency and effectiveness of fodder development and processing, the Corporation purchased two fodder shredders and one harmer mill in the reporting financial year.

The corporation also purchased one new double cabin vehicle for improved supervision of its activities.

To feed the increasing number of animals in its dairy herd, the corporation has also increased the yield from 822 tons in the FY 2021-2022 to 903 tons in the FY 2022-2023. This was achieved through cultivating maize fodder on annex farms earmarked for construction of new smart dairy farms which are more fertile.

The Corporation has fully migrated to ICT based banking and pay bill for revenue collection in its financial management in the reporting period. This improved the efficiency of financial transactions including increased revenue collection.

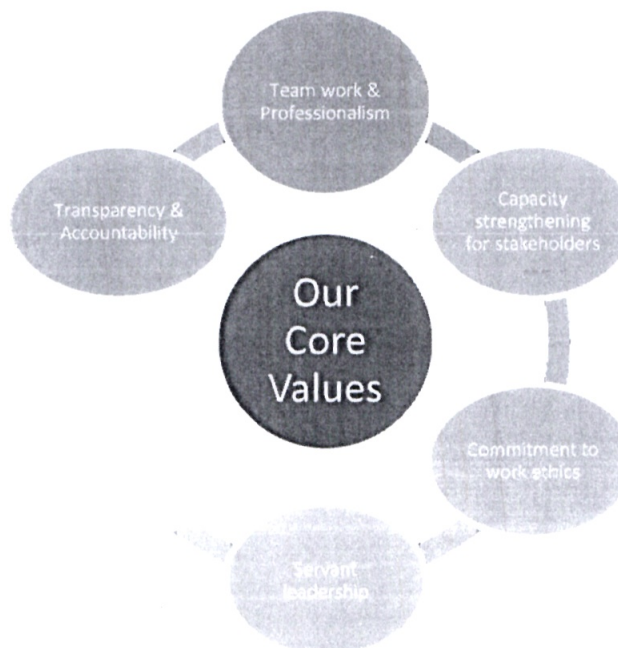
(b) Principal Activities

The Principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; develop and maintain milk processing plant in the county; conduct research; assist in maintenance of dairy facilities; and assist dairy farmers to source for affordable dairy farm inputs and machinery.

Objectives

- Provide a legal framework for dairy value chain development in the count





MANDATE

Kakamega Dairy Development Corporation (KDDC) Act 2018 mandates the Corporation to engage in the following functions:

- Engage in the commercial rearing and breeding of dairy livestock.
- Develop, promote and adopt the best practices in the dairy value chain.
- Create a ready market for milk for dairy farmers.
- Develop and maintain a milk processing plant in the County.
- Undertake and promote research in the field of dairy farming.
- Promote or assist in the setting up of dairy training facilities.
- Provide advisory services to stakeholders of dairy farming.
- Implement and manage the dairy livestock incentives through the cooperative societies.
- Facilitate and negotiate concessions for dairy farming input.
- Facilitate acquisition of farm inputs and machinery subsidy.
- Promote Dairy Cooperative activities within the County.
- Carry out such other functions as may be assigned to it by this Act or any other written.
- Carry out such other functions as may be assigned to it by this Act or any other written
- Promote Dairy Cooperative activities within the County.

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(c) Key Management

The Kakamega County Dairy Development Corporation's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors Chairman	Dr. Francis Sikolia
2.	Board Member	Mr. Joseph Wambogo
3.	Board Member	Mr. Peter Maero
4.	Board Member	Mr. Joachim Kutoyi
5.	Board Member	Dr. Angeline Savala
6.	Chief Officer Finance	Dr. June Jeophita Mwajuma
7.	Chief Officer Livestock	Dr. George Barrack Otieno
8.	County Attorney	Mrs Vivian Mbaka
9.	Accounting officer (CEO)	Dr. Isaac Lubutsi

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO	Dr. Isaac Lubutsi
2.	General Manager Farm	Ezekiel Lumbasi
3.	Head of Finance	CPA Ashyline Ambetsa
4.	Head of Procurement	Praxaedes Wanzala
5.	Livestock Production Officer	Daniel Ludenyo
6.	One Cow Initiative Coordinator	Joinah Wabuyabo

Key Entity Information and Management (continued)

(e) Fiduciary Oversight Arrangements

The management of the corporation is vested in a non –executive Board. The Board, with a diversity of gender, competencies and skills comprises **nine** (9) members including (a) a non-executive chairperson appointed by the governor; (b) accounting officer for the county department responsible for livestock development; (c) chief officer responsible for finance; (d) county attorney; (e) chief executive officer who shall be an ex officio member; (f) three members with relevant qualifications appointed by the Executive Committee Member. (g) one person nominated by Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member of parent ministry. The board provides strategic direction to the organization, exercising control and accountability to the County government and the taxpayers.

Role and functions of the board include:

- Ensuring that the strategy of the corporation is aligned to the purpose of the corporation and legitimate interests and expectations of the taxpayers.
- Ensuring that the strategy of the corporation is aligned to long term goals of the organization on sustainability.
- Approving the corporation’s organizational structure, annual budgets and work plans.
- Monitoring the performance of the corporation to ensure sustainability.
- Ensure corporate image of the corporation.
- Ensure adequate resources for the achievement of the corporation’s objectives.
- Hire the CEO in liaison with the County Public Service Board and ensure effective communication.

The board provides oversight and policy direction to the corporation through three committees. i.e. Technical committee; Finance, Administration & Human Resource committee and Audit & Risk management committee. The committees comprise members with diverse knowledge, experience and skills to support the objectives of each committee. The functions of the committees are structures and anchored on areas of Governance, Risk, Compliance, Finance, Technical matters, Strategy and Human Resources.

I. Audit and risk management committee:

The Audit and Risk Management Committee of the Board of Directors assists in fulfilling the Board’s responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Corporation, and such other duties as directed by the Board. The Audit and Risk Management Committee has non-executive status and serves in an advisory capacity to the Board members.

The committee provides assurance on risk management, governance and internal control and independently advises the Board on these issues.

The committee consists of two independent non-executive directors, one of who is appointed the Committee Chairperson by the Corporation’s Board. One of the committee members has recent and relevant financial experience.

The key responsibility of the Audit and Risk management Committee is to support the Board and the Chief Executive Officer by reviewing the comprehensiveness of assurances in meeting the Board’s and CEO’s assurance needs and reviewing the reliability and integrity of these assurances.

The mandate of the Audit Committee includes:

- a) Ensuring that the Corporation is in full compliance with all statutory issues related to all regulatory bodies and statutory requirements and advising the Corporation’s Board on any issues arising.

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- b) Assisting the Chief Executive Officer in enhancing internal controls in order to improve efficiency, transparency and accountability and establishing programmes to monitor compliance with the Corporation's Code of Conduct.
- c) Reviewing audit issues raised by both internal and external auditors including responses from management.
- d) Resolving unsettled and unimplemented internal audit findings and recommendations.
- e) Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- f) Reviewing the quarterly, half-yearly and year-end reports and financial statements of the Corporation.

Duties & Responsibilities:

Duties and responsibilities covering areas relating to compliance with internal controls, financial reporting, and governance include: -

- a) Evaluating adequacy of management procedures with regard to issues relating to risk management, control and governance.
- b) Reviewing and approving the audit charter where applicable and the internal audit annual work plans.
- c) Reviewing the systems established to ensure sound financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans, and ethics.
- d) Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Chief Executive Officer.
- e) Reviewing the Corporation's quarterly and end of the year reports and financial Statements and submitting the same reports to the full Board.

II. Finance, Administration and Human Resource Committee:

The Committee provides oversight on behalf of the corporation's board on all matters relating to Financial, Investment Management, Human Resources and Administration and reports these to the Board.

The duties and responsibilities include:

- a) Review the annual budgets and recommend to the board for approval.
- b) Review financial performance on both annual and quarterly budgets.
- c) Seek for investment opportunity and recommend to the board.
- d) Review performance on grants and minimize the exposure.
- e) Review investment plans and support management with ideas to increase probabilities and extent of success.
- f) Review Corporation's Cash flow as appropriate.

Human Resources and Administration Management:

- a) Review and approve changes in HR and Administration policies and procedures.
- b) Review and make recommendations to the Board on major changes in the structure of the organization.
- c) Review reports from management with regards to performance in the following areas and make recommendations to management for action: systems for recruitment and termination; appraisal of staff performance; remuneration procurement; transport and fleet management; and general administration.
- d) Propose innovative and efficient HR and administration mechanisms and systems to management and monitor deployment of the same.

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- e) Review and advise the Board on important HR and administration issues arising from time to time.
- f) Review Corporation's Strategic Plan and Performance Contracting of staff:

III. Technical Committee:

The Technical management Committee of the Board of Directors assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the dairy value chain decisions, activities, investment and subsequent reporting practices of the Corporation, and such other duties as directed by the Board. Management, the Board, and the Technical Committee all play critical roles in the Corporation's development of the dairy sector. The Technical Committee has non-executive status and serves in an advisory capacity to the Board and the Corporation's management.

The mandate of the Technical Committee includes:

- g) Developing policies geared towards improvements and increased production in the dairy sector, especially milk and milk products.
- h) Supporting the corporation develop self-sustainability strategies through increased revenue collection and expanding revenue streams.
- i) Support the Corporation to develop modern animal feeding strategies and uptake of efficient technologies by dairy sector stakeholders.
- j) Support linkages and transfer of technologies between the corporation and dairy stakeholders including dairy farmers, dairy cooperatives, learning and research institutions.
- k) Reviewing quarterly and yearly Technical reports and advising the corporation on key areas for improvement.
- l) Considering other issues as defined by the Corporation's Board.

Duties & Responsibilities:

Duties and responsibilities covering broad areas relating to the dairy value chain shall include:

- f) Ensuring that the Corporation is efficiently and effectively implementing dairy value chain programmes and activities in full compliance with all statutory issues related to the necessary regulatory authorities/ bodies.
- g) Developing policies geared towards improvements in management of dairy value chain programmes/activities especially the management of smart dairy farms and the One cow Initiative programme.
- h) Evaluating the adequacy of management procedures put in place for the programmes prescribed above and recommending for improvement.
- i) Reviewing the Corporation's quarterly and end of the year Technical reports and submitting the reports to the full Board.

Other oversight arrangements:

The Corporation being a county public entity is also oversighted by the Internal Audit Department of the County Government, the County Assembly of Kakamega and the Office of the Auditor General through regular submission of quarterly and end of the year Reports and Financial Statements.

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

P.O. Box 36-50100,
Sahajanand Building,
Mumias Road
KAKAMEGA, KENYA

(g) Entity Contacts

Telephone: (254) 0723915691
E-mail: kakamegadairyco@gmail.com

(h) Entity Bankers

1. Kenya Commercial Bank
Kakamega-Mumias Road
P.O. Box 152
Opposite Khetias Supermarket
Kakamega, Kenya.

(i) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser



County Attorney,
Legal Office,
Kakamega Town,
P.O. Box 36,
Kakamega, Kenya.

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3. The Board of Directors

Name	Details of qualifications and experience
<p>1. Francis Murambi Sikolia</p> 	<p>Date of birth: 10/02/1966</p> <p><u>Education background</u></p> <ul style="list-style-type: none"> ➤ Masters in Micro and Macro Economic theory and practices. ➤ Bachelor of arts in Sociology and History. <p>Member, Kenya Climate change working group since 2009.</p> <p>Independent director Chairman of the Board</p> <p><u>Work Experience</u></p> <ul style="list-style-type: none"> ➤ Field Coordinator Integrated Food Security and nutrition program. ➤ Project capacity Building Advisor APRICOM Project Cameroun. ➤ Program coordinator ASAL Livelihoods Development Program. <p>Technical Officer social and Economic Infrastructure Development</p>
<p>2. Dr. Angeline Masitsa Savala</p> 	<p>Date of birth: 27/01/1963</p> <p>Independent director Chairman Finance and administration committee.</p> <p><u>Work Experience</u></p> <ul style="list-style-type: none"> ➤ Senior lecturer: Departmental exam coordinator MMUST. ➤ Director, Fadhili Community development programme <p>Chairperson, free Methodist Bible School Board</p> <p><u>Education background</u></p> <ul style="list-style-type: none"> ➤ Post- Doctoral Studies ➤ Doctor of Philosophy Degree in Religion. ➤ Bachelor of arts in Bible and Theology <p>Strategic Leadership and Change Management</p>
<p>3. Dr. Joachim Kutoyi</p>	<p>Date of birth: 4/02/1982</p> <p>Independent Director</p>

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	<p><u>Educational background</u></p> <ul style="list-style-type: none"> ➤ Bachelor of veterinary medicine ➤ Certificate in project management Pro ➤ Gender main streaming and social inclusion Data analysis (SPSS) <p><u>Work experience</u></p> <ul style="list-style-type: none"> ➤ Senior dairy expert: Green Innovation Centres for the agriculture and food sector program (GIC) ➤ Project officer agriculture and livelihoods: Catholic Relief Services Kenya. ➤ Livestock specialist: Kenya Dairy Farmers Federation. ➤ Extension manager: Nyala Dairy Multipurpose Cooperative Society LTD.
<p>4. Mr. Joseph Wasike Wambongo</p> 	<p>Date of birth: 20/04/1963</p> <p>Independent Director. Chairperson Audit and Risk management committee.</p> <p><u>Educational background</u></p> <ul style="list-style-type: none"> ➤ Certified Public Accountant (CPA) ➤ Kenya Certificate of Secondary School ➤ Kenya Certificate of Primary School. <p><u>Working experience</u></p> <ul style="list-style-type: none"> ➤ Board of management Chebusi High School. ➤ Managing Director: Wabidii works and stocks Agencies. ➤ Accounts officer Telcom Kenya. ➤ Accounts Clerk Kilimambogo Teachers College.
<p>5. Mr. Peter Maero</p>	<p>Date of birth: 4/10/1969</p> <p>Independent Director Chairperson Technical committee.</p> <p><u>Educational background</u></p> <ul style="list-style-type: none"> ➤ Master's Degree: project planning and management Bachelor of arts: Sociology and economics <p><u>Work experience</u></p>

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	<ul style="list-style-type: none"> ➤ Patron: Wanga Rural Community Development Initiative (WRCDI) ➤ Technical project coordinator: Lengo ADTC-USAID KAVES project. ➤ Consultancy: PATH International, Visionary Rural Development. ➤ Consultancy and Winrock International-Western Province Project. ➤ Regional Project Officer/Field. <p>Facilitator: Engender Health International.</p>
<p>6. M/s Vivianne Mbaka</p> 	<p>Date of birth: 17/08/1985</p> <p>Executive Director County Attorney</p> <p><u>Educational background</u></p> <ul style="list-style-type: none"> ➤ Masters of Law ➤ Bachelor of Law <p><u>Work experience</u></p> <p>County Attorney County Government of Kakamega.</p>
<p>7. Dr. Isaac Lubutsi</p> 	<p>Date of birth: 17/12/1966</p> <p>Chief Executive officer Executive Director</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> ➤ Bachelor of Veterinary Medicine ➤ Certificate in Participatory Epidemiology ➤ Certificate I Participatory Disease Surveillance ➤ Certificate in Community Manage Disaster Risk Reduction (CMDRR) <p>Certificate in Conflict Sensitive Programming – Do No Harm Approach.</p>

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	<p><u>Experience</u></p> <ul style="list-style-type: none">➤ Program manager EU Funded Omo Delta Project➤ Project Manager EU Funded Community Action for Improved Drought Response and Resilience➤ Project Officer EU Funded ECHO LANINA I, II, III Projects➤ Field Veterinary Supervisor ECHO LANINA Funded Project
<p>8. Dr. George Barack Otieno</p> 	<p>Date of birth: 16/11/1977</p> <p>Chief Officer, Livestock & Veterinary services. Executive Director</p> <p><u>Education Background</u></p> <ul style="list-style-type: none">• Bachelor of Veterinary Medicine• Masters of Science (Agriculture & Rural development)• Certificate Grants Management <p><u>Experience</u></p> <ul style="list-style-type: none">➤ Program Manager, Veterinaries Sans Frontiers- Germany➤ Regional Co-ordinator, Eastern Africa Borlaug Higher Education for Agricultural research & Development.➤ Program manager, Borlaug Institute of International Agriculture, Texas A & M University.➤ Area Program Manager, Jonglei & Upper Nile States.
<p>9. Dr. Jeophita June Mwajuma</p> 	<p>Date of birth: 16/11/1971</p> <p>Chief Officer, Finance and budget. Executive Director</p> <p><u>Education Background</u></p> <ul style="list-style-type: none">• Ph. D in Environmental Microbiology• Masters of Science• Degree in Microbiology• Bachelor of Science (Botany and Zoology) <p><u>Experience</u></p>

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	<ul style="list-style-type: none">➤ Chief Officer department of Environment, waste management and energy.➤ Senior Lecturer.➤ Head of budget and Finance
<p>10.CS Daniel Musita</p> 	<p>Date of birth: 6/10/1974</p> <p><u>Corporation Secretary</u></p> <p><u>Education Background</u></p> <ul style="list-style-type: none">➤ MBA Strategic Management➤ Bachelor of Education➤ Diploma in Human Resource management➤ Strategic Leadership Program (KSG)➤ Member of ICSK <p><u>Experience</u></p> <ul style="list-style-type: none">➤ Municipal manager Kakamega Municipality➤ Director Kakamega County Youth Service and Empowerment Program (CYSWEP)➤ Principal Kakamega Muslim Secondary School.

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4. Key Management Team.

Ref	Name	Details of qualifications and experience
1	<p>Dr. Isaac Lubutsi</p> 	<p>Date of birth: 17/12/1966</p> <p>Chief Executive officer</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> ➤ Bachelor of Veterinary Medicine ➤ Certificate in Participatory Epidemiology ➤ Certificate I Participatory Disease Surveillance ➤ Certificate in Community Manage Disaster Risk Reduction (CMDRR) ➤ Certificate in Conflict Sensitive Programming – Do No Harm Approach <p><u>Experience</u></p> <ul style="list-style-type: none"> ➤ Program manager EU Funded Omo Delta Project ➤ Project Manager EU Funded Community Action for Improved Drought Response and Resilience ➤ Project Officer EU Funded ECHO LANINA I, II, III Projects ➤ Field Veterinary Supervisor ECHO LANINA Funded Project
2	<p>CPA Ashyline Ambetsa</p> 	<p>Date of birth :07.09.1998</p> <p>Accountant</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> • Bachelor of Economics • Certified Public Accountant • Accounting Packages and Software • Google Data Analytics <p><u>Work Experience</u></p> <ul style="list-style-type: none"> ➤ 3 year of experience in the Accounting field ➤ Accountant Grohney Co and Associate. ➤ Intern Kenya Revenue Authority

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<p>3</p>	<p>Joynah Otando Wabuyabo</p> 	<p>Date of birth: 07/08/1965</p> <p>One cow initiative Coordinator</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> • Certificate in Dairy Technology • Diploma in animal Husbandry <p>Innovation platforms formation and maintenance.</p> <p><u>Experience</u></p> <p>35 years of experience since 1987 in extension services and coordination of programs and projects.</p>
<p>4.</p>	<p>Ezekiel Sukume Lumbasi</p> 	<p>Date of birth:14/11/1970</p> <p>General Manager Farms</p> <p><u>Education background</u></p> <ul style="list-style-type: none"> • BSc. Animal Production <p><u>Work Experience</u></p> <p>28 years of experience in livestock and farm management.</p>
<p>5</p>	<p>Everlyne Shikanda Nyongesa</p> 	<p>Date of birth:18/6/1970</p> <p>Office Administrator</p> <p><u>Work Experience</u></p> <p>27 years of experience since 1996 in Secretarial Management.</p> <p><u>EDUCATION BACKGROUND</u></p> <ul style="list-style-type: none"> ➤ Higher diploma in Secretarial studies. ➤ Public relations and customer care.

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6	<p>Daniel Mwangi Ludenyo</p> 	<p>Date of birth:17/12/1981</p> <p>Livestock Production Officer.</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> ➤ BSc Animal Production. ➤ Diploma in animal production and health management. ➤ Certificate in animal health and production. <p><u>Experience</u></p> <p>6 years of experience since 2016 in livestock production and extension services.</p>
7	<p>Praxaedes Wanzala</p> 	<p>Date of birth:3/11/1971</p> <p>Supply Chain Management Officer</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> ➤ Diploma in supply chain management. <p><u>Experience</u></p> <p>26 years of experience since 1997 in Supply chain management.</p>
8.CS Daniel Musita		 <p>Date of birth: 6/10/1974</p> <p>Corporation Secretary</p> <p><u>Education Background</u></p> <ul style="list-style-type: none"> ➤ MBA Strategic Management ➤ Bachelor of Education ➤ Diploma in Human Resource management ➤ Strategic Leadership Program (KSG) ➤ Member Of ICSK <p><u>Experience</u></p> <ul style="list-style-type: none"> ➤ Municipal manager Kakamega Municipality ➤ Director Kakamega County Youth Service and Empowerment Program (CYSWEP) ➤ Principal Kakamega Muslim Secondary School.

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5. Chairman's Statement

On behalf of the Board of Directors (BoD) of the Kakamega County Dairy Development Corporation (KDDC), I have the honour to forward the Annual Reports and Financial Statement for the Financial Year ended June 30, 2023.

The Corporation was established by an act of the County Assembly of Kakamega County in the year 2018 to make provision for the role of the corporation in the dairy industry in the county and related matters in furtherance of the Fourth schedule of the Constitution and for connected purposes.

The previous Board of Directors (BoD) tenure expired on 22nd September 2022 while the current Board of Directors assumed office on 11th May 2023. The current board was inducted through a four-day workshop in the month of June 2023. The board also underwent an orientation on operations, programs, projects and activities of the Corporation in the month of July 2023. It is important to note that the recruitment of the current Board took longer than anticipated due the National and County electioneering activities that took place around the same period.

The Board comprises nine members including (a) a non-executive chairperson appointed by the governor; (b) accounting officer for the county department responsible for livestock development; (c) chief officer responsible for finance; (d) county attorney; (e) chief executive officer who is an ex officio member; (f) three members with relevant qualifications appointed by the Executive Committee Member (g) one person nominated by Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member of parent department.

The Board is fully alive to its mandate and the fact that KDDC, having been established in the year 2018 is in its formative years and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies.

The Corporation aspires to be the best in the dairy value chain in the Country through the adoption of best dairy value chain practices as well as the development and use of key instruments necessary for successful corporate governance in line with Mwongozo Code.

During the year under review, the Board executed its functions well through its three committees: Technical; Finance & Administration and Audit & Risk Management. The committees were vibrant throughout the year, and each met at least three times, followed by 2 full board meetings.

Under the Board's leadership, the Corporation developed its five (5) year Strategic Plan and a Service Charter. The Strategic Plan was validated and is now awaiting review to align it to H.E. the Governor's manifesto and six-point agenda. The Strategic Plan will enable the corporation work towards a common goal, while ensuring sound management and reduction of operational risks.

The Board worked with the corporation's management to develop and approve the Corporation's Annual Budgets, Procurement Plans, Work Plans and Board Calendars for FY 2022-23.

The Board conducted supervisory/oversight visits to all operational smart dairy farms and the corporation's new projects (construction of five new smart dairy farms). Arising from these supervisory visits, some repairs and additional works on the four operational farms were carried out.

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The previous board was evaluated for its performance in the month of September 2022. The evaluation exercise was carried out by the County Public Service Board.

The Board is pleased with the operational and financial results delivered by management. However, KDDC being a young corporation has faced several challenges. The Board has noted that the corporation faced cash flow challenges during the reporting period. There were delays in cash flow disbursements and underfunding from the exchequer on the approved budget, thus affecting implementation of planned activities.

The corporation also relies on seconded staff from line departments in key management positions and there is need in future for corporation to focus on competitively recruiting and deploying these staff.

For sustainability, the corporation requires to increase its own source revenues through increased revenue collection, expanded revenue streams and creating partnerships with non-state actors/donors and research institutions.

The Board intends to support the corporation mobilize dairy farmers and other stakeholders to increase milk production and formalise milk aggregation through dairy cooperative societies in order to have enough milk in preparation for the operationalization of the Malava milk processing plant.

The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable the corporation complete the construction of Smart Farms in each of the twelve sub-counties, operationalize the milk processing plant at Malava, perpetuate the One-Cow Initiative programme and enhance the formation of milk producer groups/cooperative societies.

The Board acknowledges the support and good working relationship with the departments of Agriculture, Livestock, Fisheries & Cooperatives and Finance, Economic Planning, ICT, e-Government and Communication & Budget; and Office of the Governor as well as the Office of the County Attorney.

Signed 

**Mr. Francis Sikolia Murambi,
Chairperson, Board of Directors.**

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6. Report of the Chief Executive Officer

The Chief Executive Officer of Kakamega County Dairy Development Corporation (KDDC) is pleased to submit the Annual Reports and Financial Statements for the Financial Year ending June 30, 2023.

KDDC was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The Principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; developing and maintaining milk processing plant in the county; conducting research; assisting in maintenance of dairy facilities; and assisting dairy farmers to source for affordable dairy farm inputs and machinery.

The Corporation is currently implementing two major livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County and the distribution of dairy cows through the One Cow Initiative (OCI) programme.

The developed smart farms are enabling farmers and students from within the localities to be trained on best practices in dairy value chain geared towards improving milk production and incomes at household levels. They are also learning centres for local farmers and students from schools and institutions within. Milk collected from the smart farms is sold to local communities and revenue banked in the revenue account to support farm operations.

The One Cow Initiative programme entails training of individual farmers and cooperative societies in dairy management following which they are given dairy animals to improve dairy production and household incomes. The beneficiary farmers also pass on one heifer to selected and trained farmers in the locality.

Kakamega County is milk deficient and relies on raw and processed milk imports from neighbouring counties. The mandate and focus of the corporation is to reverse this situation and make the county be raw and processed milk surplus while improving the household economic livelihoods of dairy farmers across the county.

It is planned that once the construction and operationalization of Malava milk processing plant in Malava sub county is completed, the corporation's smart dairy farms will act as collection/chilling centres for milk from local farmers for onward transmission to the processing plant for value addition. The smart farms will also supply their milk to the milk factory.

In the reporting period, the corporation carried out repairs and additional works on the four operational smart dairy farms of Bukura, Matungu, Kabras and Khwisero providing an improved environment for animal husbandry, health and improved service delivery.

Also in this period, the corporation continued to supervise the construction six new smart dairy farms in Malava, Ikolomani, Butere, Mumias East, Navakholo and Likuyani sub counties. The completion rates for these projects currently stand at between 20% and 95%. Once they are completed and operationalized, the farms will increase the entire dairy herd to over 250 animals.

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In the reporting period, the corporation operated four Smart Dairy Farms (SDFs) namely Bukura SDF in Lurambi Sub- County, Matungu SDF in Matungu Sub-County, Kabras SDF in Lugari Sub- County and Khwisero SDF in Khwisero Sub County. Each smart dairy farm holds about 30 pedigree dairy animals at one time for optimal production.

At the close of the financial year, the total population of animals in the four smart dairy farms was 125, with 62 mature cows, 13 in-calf heifers, 30 bullying heifers, 17 weaner heifers and 3 female calves.

In this reporting period, the four smart farms, with an average lactating herd of 35 dairy animals produced a total of 113,724.7 litres of milk, of which 10,696 litres were consumed by calves while 102,696,26 litres were sold generating a total revenue of 5,605,423 million, representing a 61.1% production on the target. This was attributed to inconsistency in purchase of supplies of production attributed to delays in disbursement of funds from the exchequer.

The heifers born on the four smart farms are bred and prepared for distribution to newly constructed smart farms while bull calves are sold for revenue.

The Construction of Malimili Smart Dairy farm in Shinyalu Sub County that commenced in the FY year 2019/2020 was stopped by a court order following a case filed by a litigant and the case is ongoing in court.

Under the county flagship programme of One Cow Initiative, the corporations purchased and distributed 180 in-calf heifers to selected beneficiaries across the county (3 cows per ward) for increased milk production, improved incomes and nutrition among households. Since the inception of this programme in the year 2015, a total of 1970 in-calf heifers have been procured and distributed to farmer beneficiaries across the 60 wards in the county. Over 1,116 heifer pass-ons have also been distributed to farmer beneficiaries from the parent stock since the inception of the programme in 2015.

To improve efficiency in processing animal fodder, the corporation purchased two fodder shredders and one harmer mill. This has made the corporation save money and resources it initially used in hiring this equipment. The Corporation also procured one double cabin vehicle for improved service delivery and supervision of corporation's activities.

It is important to note that the Corporation was established in the year 2018 and is undergoing reorganization and restructuring to align itself to County, National and International standards of corporate Governance. Currently majority staffs working at the corporation are seconded from the County Government line departments. The corporation has developed its organizational structure and foresees competently hiring some these key staff in the near future.

It is also important to note that in the reporting period, the Corporation developed its five (5) year Strategic Plan that is currently being reviewed to align it to H.E the Governor's manifesto. The strategic plan will help in determining the direction for corporation through focused efforts ensuring that everyone in the corporation is working towards a common goal. It will also help the corporation to manage and reduce operational risks. The corporation has also in previous years developed its logo and service charter.


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The corporation's management and Board of Directors are working tirelessly to formulate other necessary instruments for good corporate governance including requisite policies and Standard Operating Procedures (SOPs). All these are intended to put the corporation on solid foundation to deliver its mandate to the dairy sector in Kakamega County.

I want to acknowledge the special support we, as the management have received from H.E. the Governor; the Corporation's Board of Directors; Departments of Finance, Economic Planning, ICT, e-Government and Communication & Budget; Office of the Governor and Agriculture, Livestock, Cooperatives and Irrigation; County Attorney and the entire KDDC staff for their support during the reporting period.

Signed.....
Dr. Isaac Lubutsi,
Chief Executive Officer,

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The Kakamega County Dairy Development Corporation has 7 strategic areas/ themes and objectives within the current Strategic Plan for the FY 2022/2027. These strategic areas/ themes are as follows:

Area /theme/ 1: Quality commercial dairy livestock reared and bred.

Area /theme 2: Best practices in dairy value chain adopted.

Area /theme 3: A ready market for milk from dairy farmers created.

Area /theme 4: A milk processing plant established and maintained.

Area /theme 5: Research in the field of dairy farming undertaken and promoted.

Area /theme 6: Dairy training facilities set up/established.

Area /theme 7: Strengthened organizational capacity for improved delivery of KDDC mandate.

The Corporation develops its annual work plans based on the above seven (7) Areas/Themes.

Assessment of the Board's performance against its annual work plan is done on a yearly basis.

The table below shows a matrix of strategic areas, strategic objectives and strategies as outlined in the corporation's Strategic Plan.

S/N	Strategic Area	Strategic Objectives	Strategies	
1.	Quality commercial dairy livestock reared and bred	To provide land for dairy farming and related activities	Purchase land for establishment of smart dairy farms and fodder production	
			Establish smart dairy farms	
		To improve the quality of dairy livestock for increased milk production	Stock appropriate quality dairy animal breeds through the one cow initiative	
			To develop an appropriate feeding regime and dairy animal care program	Increase the amount of milk produced and sold
				Breed and sale quality heifers to dairy farmers
				Acquire farm machinery to improve farm mechanization and hence increase productivity
Document and implement appropriate feeding regime				
2.	Best practices in dairy value chain adopted	To develop an appropriate feeding regime and dairy animal care program	Establish and implement a disease control and herd health management program	
			Promote adherence to animal welfare practices	
		To create a market for milk for dairy farmers	Enroll KDDC with Kenya Stud Book and Dairy Recording Service of Kenya	
			Adhere to best milking and post-milking practices	
			Engage the cooperative sector to create viable dairy cooperative societies	
			Link dairy farmers to dairy cooperative societies	
3.	A ready market for milk from dairy farmers created	To source for markets and marketing opportunities for milk	Collaborate with partners to provide milk bulking facilities to dairy cooperative societies	

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		and milk-related additives	
4.	A milk processing plant established and maintained	To develop and maintain a milk processing plant To promote and assist in establishing dairy training facilities	Participate in the supervision and oversight of construction of the milk processing plant Develop a framework for running of the factory
5.	Research in the field of dairy farming undertaken and promoted	To undertake and promote research in the field of dairy farming in collaboration with other relevant stakeholders	Partner with appropriate research organizations to undertake research in the field of dairy farming Implement dairy farmers training programs
6.	Dairy training facilities set up/established	To assist dairy farmers with advisory services on dairy value chain for improved milk production To support dairy farmers with dairy livestock initiatives for improved dairy productivity.	Provide advisory services to dairy farmers Provide support to dairy farmers to acquire high quality dairy animal breeds through the one cow initiative and sale of heifers Develop and implement dairy farmers training programs in the dairy value chain
7.	Strengthened organizational capacity for improved delivery of KDDC mandate	To build the capacity of the organization to enable delivery on its mandate	Put in place an appropriate organization structure and staffing levels Provide appropriate office infrastructure for improved operations

The Corporation achieved its performance targets set for the *FY 2022-23* period for its 6 strategic pillars/areas, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Quality commercial dairy livestock reared and bred	To provide land for dairy farming and related activities	<ul style="list-style-type: none"> No. of operational SDFs No. of new SDFs 	<ul style="list-style-type: none"> Establish smart dairy farms 	<ul style="list-style-type: none"> 4 operational SDFs 6 new SDFs under construction
	To improve the quality of dairy livestock for	<ul style="list-style-type: none"> No of in-calf heifers distributed 	<ul style="list-style-type: none"> Stock appropriate quality dairy animal breeds through the one cow initiative. 	<ul style="list-style-type: none"> 180 in-calf heifers purchased and distributed.

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	increased milk production	<ul style="list-style-type: none"> No. of heifer pas-ons Litres of milk produced on operational SDFs No of farm machinery purchased 	<ul style="list-style-type: none"> Increase the amount of milk produced and sold Acquire farm machinery to improve farm mechanization and hence increase productivity 	<ul style="list-style-type: none"> 113,724.7 litres of milk produced 2 fodder shredders and one harmer mill purchased
	To develop an appropriate feeding regime and dairy animal care program	<ul style="list-style-type: none"> Feeding regime manual developed 	<ul style="list-style-type: none"> Document and implement appropriate feeding regime 	<ul style="list-style-type: none"> One feeding regime manual developed and disseminated.
Best practices in dairy value chain adopted	To develop an appropriate feeding regime and dairy animal care program	<ul style="list-style-type: none"> No of animals registered by the Kenya stud book 	<ul style="list-style-type: none"> Enroll KDDC with Kenya Stud Book and Dairy Recording Service of Kenya 	<ul style="list-style-type: none"> 125 animals registered by the Kenya stud book
A ready market for milk from dairy farmers created	To source for markets and marketing opportunities for milk and milk-related additives To develop and maintain a milk processing plant	<ul style="list-style-type: none"> No. of site meetings held No of supervisory site visits 	<ul style="list-style-type: none"> Participate in the supervision and oversight of construction of the milk processing plant 	<ul style="list-style-type: none"> 7 site meetings held 11 supervisory site visits

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A milk processing plant established and maintained	To develop and maintain a milk processing plant To promote and assist in establishing dairy training facilities	<ul style="list-style-type: none"> • No. of site meetings held • No of supervisory site visits 	<ul style="list-style-type: none"> • Participate in the supervision and oversight of construction of the milk processing plant 	<ul style="list-style-type: none"> • 7 site meetings held • 11 supervisory site visits
Dairy training facilities set up/established	To assist dairy farmers with advisory services on dairy value chain for improved milk production	<ul style="list-style-type: none"> • No of farmers trained under the One Cow Initiative • No. of farmers trained through SDFs 	<ul style="list-style-type: none"> • Provide advisory services to dairy farmers. 	<ul style="list-style-type: none"> • 1366 farmers/students trained at SDFs • 180 farmers trained under One Cow Initiative
	To support dairy farmers with dairy livestock initiatives for improved dairy productivity	<ul style="list-style-type: none"> • No. of farmers supported 	<ul style="list-style-type: none"> • Provide support to dairy farmers to acquire high quality dairy animal breeds through the one cow initiative and sale of heifers 	<ul style="list-style-type: none"> • 180 farmers supported with in-calf dairy animals under One Cow Initiative
Strengthened organizational capacity for improved delivery of KDDC mandate	To build the capacity of the organization to enable delivery on its mandate	<ul style="list-style-type: none"> • Organogram in place • Staff trainings • Office infrastructure (chairs, tables, laptops etc) 	<ul style="list-style-type: none"> • Put in place an appropriate organization structure and staffing levels • Provide appropriate office infrastructure for improved operations 	<ul style="list-style-type: none"> • Organogram reviewed by Board • One laptop procured • One double cabin vehicle procured

The corporation developed and implemented performance contracting with four farm managers managing the operations on the four smart dairy farms (Bukura, Kabras, Khwisero and Matungu). The four managers were also assessed on quarterly basis on their performance against the set targets.

The current Board and the CEO are developing comprehensive performance contracts based on the reviewed Strategic Plan that will be implemented in the FY 2023/24.

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8. Corporate Governance Statement

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.

The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.

The chairperson of the Board is appointed by the Governor while other independent members are appointed by the Executive Committee Member for Agriculture, Livestock, Fisheries and cooperatives.

The recruitment of the Chairperson and members of the Board is conducted by a selection panel (chairperson and four other persons appointed by the CECM Agriculture, Livestock, Fisheries and Cooperatives) consisting of: one person representing the County Public Service Board, one person representing dairy farmers in the county; one person representing cooperatives movement in the county and one person representing the department for Agriculture, Livestock, Fisheries and Cooperatives.

The selection panel which regulates its own procedure, advertises the vacancies and publicizes the names of applicants and shortlisted candidates in at least one local daily newspaper and on the county government website.

In the case of the chairperson, three names are submitted to the Governor to select and appoint one person while in the case of members, eight names are submitted by a selection panel to the County Executive Committee Member for Agriculture, Livestock and Cooperatives for appointments.

In determining the nomination criteria for the chairperson and members of the Board, the selection panel shall have regard to the objectives of the development of the dairy industry in the county. The selection panel shall ensure that those nominated shall not have conflict of interest in serving as chairperson and members of the Board. The selection panel stands dissolved after the appointment of the chairperson and members of the Board.

The roles and functions of the board include:

- I. Ensuring that the strategy of the corporation is aligned to the purpose of the corporation and legitimate interests and expectations of the taxpayers.
- II. Ensuring that the strategy of the corporation is aligned to long term goals of the organization on sustainability.
- III. Approving the corporation's organizational structure, annual budgets and work plans.
- IV. Monitoring the performance of the corporation to ensure sustainability.
- V. Ensure corporate image of the corporation.
- VI. Ensure adequate resources for the achievement of the corporation's objectives.
- VII. Hire the CEO in liaison with the County Public Service Board and ensure effective communication.

The board provides oversight and policy direction to the corporation through three committees. i.e. Technical committee; Finance, Administration & Human Resource committee and Audit & Risk

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management committee. The committees comprise members with diverse knowledge, experience and skills to support the objectives of each committee. The functions of the committees are structures and anchored on areas of Governance, Risk, Compliance, Finance, Technical matters, Strategy and Human Resources.

The Audit and Risk Management Committee of the Board of Directors assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Corporation, and such other duties as directed by the Board. The Audit and Risk Management Committee has non-executive status and serves in an advisory capacity to the Board members.

The committee provides assurance on risk management, governance and internal control and independently advises the Board on these issues.

The committee consists of two independent non-executive directors, one of who is appointed the Committee Chairperson by the Corporation's Board. One of the committee members has recent and relevant financial experience.

The key responsibility of the Audit and Risk management Committee is to support the Board and the Chief Executive Officer by reviewing the comprehensiveness of assurances in meeting the Board's and CEO's assurance needs and reviewing the reliability and integrity of these assurances.

The Finance, Administration & Human Resource Committee provides oversight on behalf of the corporation's board on all matters relating to Financial, Investment Management, Human Resources and Administration and reports these to the Board.

The duties and responsibilities include: Review the annual budgets and recommend to the board for approval; Review financial performance on both annual and quarterly budgets, Seek for investment opportunity and recommend to the board, Review performance on grants and minimize the exposure, Review investment plans and support management with ideas to increase probabilities and extent of success, Review Corporation's Cash flow as appropriate.

The Technical management Committee assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the dairy value chain decisions, activities, investment and subsequent reporting practices of the Corporation, and such other duties as directed by the Board. Management, the Board, and the Technical Committee all play critical roles in the Corporation's development of the dairy sector. The Technical Committee has non-executive status and serves in an advisory capacity to the Board and the Corporation's management.

The previous Board whose tenure ended on 22nd September 2022 was competitively recruited and legally constituted by being sworn in in the FY 2019/2020. The current Board was also competitively recruited and assumed office in the month May 2023. The delay in recruiting the new board after the expiry of tenure of previous Board was caused by the National electioneering activities and formation of new governments that took place in that period.

Both the previous and current Board were inducted upon assumption of office. They were also oriented to operations, programmes and activities of the corporation through workshops. The previous board held one benchmarking tour and two comprehensive oversight tours of the corporation's facilities and projects.

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The current board has constituted three key committees with their TORs being developed within the corporation's act. These are: Technical committee (six members); Finance and Administration committee (seven members) and Audit & Risk committee (three members).

In the reporting period, the board held two full board meetings attended by all members, three technical committee meetings; three Finance and Administration committee meetings and one Audit and Risk committee meeting.

The board maintained a declaration of interest book. At the beginning of all board and committee meetings, members were requested to declare if they had any conflict-of-interest issues on the agenda at hand. In all the committee and full board meetings held in the reporting period, no member declared interest in any issues that were lined up on the agenda.

The full board met and approved the corporation's FY 2022-23 budgets, procurement plan and work plans.

During the reporting period all members dedicated their time and resources to support the cooperation fulfil its mandate. All the independent board members attended all meetings that were called for. They vibrantly contributed to their committee agendas through their background technical skills and experience. There were no reported cases of conflict of interest.

The previous board was evaluated for its performance toward towards the end of their tenure in the month of September 2022. The evaluation exercise was conducted by the county Public Service Board.

The current board intends to develop its charter as it reviews the Strategic Plan to align it to the Governor's manifesto and six point agenda.

The Board chairman is entitled to monthly honoraria of KES 50,000. Board members are paid sitting allowances of between KES 4,000 and KES 15,000 while attending board meetings. Independent Board members are also reimbursed travel allowances as per the SRC/Head of Public Board circulars and County Public Service Board recommendations.

The current Board is working a succession plan policy that will be presented to the cabinet for approval. It is also important to note that the current Chief Executive officer was competitively recruited and appointed into office.

9. Management Discussion and Analysis

The corporation, established in the year 2018, is about four year into existence and is currently implementing two major programmes namely the establishment of twelve (12) smart dairy farms, one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative Programme). The main objectives of these programs are: to increase milk production across the county; to increase household incomes among dairy farmers; improve nutrition especially for children under 5 years of age; create jobs especially among the youth and provide farmer training and milk aggregation centres across the county.

The Principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; developing and maintaining milk processing plant in the county; conducting research; assisting in maintenance of dairy facilities; and assisting dairy farmers to source for affordable dairy farm inputs and machinery.

The Corporation is currently implementing two major livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County and the distribution of dairy cows through the One Cow Initiative (OCI) programme.

One Cow Initiative Programme:

Smallholder dairy production accounts for over 99% of the total milk production in Kakamega County and supports more than 68,000 smallholder dairy farmers in the County. Total annual milk production in 2016 was approximately 145, 800,000 litres. Production for 2017 was promising and increased by more than 2% thus reducing the deficiency to 34%. The potential for milk production remained high. The approximate total cattle population in Kakamega County is 452,060; out of which 286, 277 are zebu and 167, 783 are grade cattle (Source - Annual Report – Department of Agriculture and Livestock). The dairy cattle population in Kakamega County produces about 171 million litres of milk annually. The milk that is formally marketed in the County is about 80 million litres, representing about 46.5% of annual production.

It was against the huge milk deficit in spite of the huge potential for milk production and prospects for alleviating poverty that prompted the County Government to come up with the “One Cow per House hold Initiative Programme”, guided by the Dairy and Livestock task force report of 2014 which resulted to the a Proposal for a One Cow initiative in Kakamega County to be drafted and approved by the County Assembly in 2014.

The programme was initiated in the County as one of the flagship programmes in the year 2015 with the main objective geared towards alleviation of poverty, improving food security and employment creation.

The programme was initially managed by the line Department of Agriculture, Livestock, Fisheries and Cooperatives (Phase I and Phase II) but later it was transferred to Kakamega County Dairy Development Corporation (after its creation) and whose mandate is to spearhead the development of the dairy value chain in the County as per the Corporation’s Act of 2018.

Since 2016 milk production has increased from 145, 800,000 litres to 182, 600,000 litres in 2021 (Department of Livestock Production Annual Report 2021).

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Since inception, the project has been implemented in three phases bringing the total number of in-calf heifers distributed to 1,970 across the County. A total 1,116 heifers have also been passed on to other beneficiaries.

Implementation of the One Cow Initiative programme brings on board all stakeholders in the dairy value chain in the County including Ward and Sub County Administrators (who chair vetting committees), relevant line Department Agriculture, Livestock, Veterinary and Cooperatives services, farmers and other organizations as stipulated in the implementation guidelines.

The programme initially targeted (phase I and II) the less advantaged/poor beneficiaries who would be able to manage the animals well and be able to give to another farmer a heifer on delivery (pass on), for sustainability of the programme.

Due to increased mortalities of initial animals noted in phase I and II that was largely attributed to inability of the beneficiaries to take good care of the animals, in phase III and IV the selection criteria for targeting beneficiaries was amended to target beneficiaries with ability to care and manage the animals. This led to a reduction in mortalities in phase III and IV.

The committees involved in implementation process are outlined in the implementation guidelines.

The composition of the ward vetting committee includes:

- I. Ward Administrator-chairperson,
- II. Ward Livestock Production Officer-Secretary,
- III. Representative of area member of County Assembly,
- IV. Cooperatives Officer,
- V. Women/youth / persons with disability who is a member of a dairy cooperative,
- VI. Religious community representative,
- VII. Community Area Council Member for Agriculture

Since the year 2015, the One Cow Initiative (OCI) programme has procured and distributed 1,970 in-calf heifers to selected beneficiaries across the county. The selected beneficiaries have also been trained on animal husbandry practices before benefitting from the dairy cows.

Number of heifers procured and distributed per Sub County under One cow Initiative:

SUB COUNTY	Financial year				Total
	2015/2016	2016/2017	2018/2019	2022/2023	
Lugari	60	60	48	18	186
Butere	60	50	40	15	165
Ikolomani	40	80	32	12	164
Mumias West	40	40	32	12	164
Navakholo	50	50	40	15	155
Khwisero	40	40	32	12	124
Likuyani	50	50	40	15	155
Lurambi	60	60	48	18	186
Malava	70	70	56	21	217
Mumias East	30	30	24	9	93
Shinyalu	60	120	48	18	246
Matungu	50	50	40	15	155
TOTAL	610	700	480	180	1,970

The department of Agriculture, Livestock, Fisheries and Cooperatives and KDDC have spent over KES 104,800,000 and KES 52,800,000 respectively on purchase of in-calf heifers for distribution to farmer beneficiaries since the inception of the project in the year 2015 (Total KES 157,600,000). The

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department and KDDC also have saved over saved KES 66,960,000 through heifer pass-ons distribution from the primary animals since inception of the program.

In the reporting period, over 300 heifers were passed on from the dairy cows' beneficiaries to new beneficiaries within the localities. Milk production in households benefitting from dairy cows and heifer pass-ons has increased from an average of 7 litres per cow per day to 10 litres per cow per day. The benefitting households have increased their household incomes from sale of milk and their nutritional status especially for children less than 5 years of age.

In the current FY 2023/2024, the corporation through support from USAID – RTI has commissioned an impact assessment to be carried for the One Cow Initiative program after 8 years of implementation. UDAID – RTI is providing funds to hire external consultancy.

Development of Smart Dairy Farms:

Kakamega is a milk deficient County. As of 2016, the milk deficiency stood at 34%, the gap being filled by milk imports from neighbouring counties. Currently the County does not have a milk processing facility and relies on imports of processed milk to fill the gap. This notwithstanding, the County is endowed with good climate, population and human resource suitable to develop a vibrant and commercially profitable dairy enterprise. The large population within Kakamega and the neighbouring counties provide a potentially ready market for dairy products. The Corporation's objectives include implementing programs geared towards making dairy enterprises attractive and profitable for dairy farmers and the youth.

As a result of recommendations of the Dairy Task Force Report of the year 2014, the County Government of Kakamega initiated the development of Smart dairy Farms through KDDC with the main objectives of: providing learning and knowledge exchange centres on dairy matters for farmers, youth and students from local institutions including county polytechnics; providing milk aggregation centres for farmers and dairy cooperatives for milk chilling and onward transmission to Malava milk processing plant that is currently under construction; rearing pedigree dairy animals for commercial milk production and heifer multiplication.

In the reporting period, the corporation has established and operationalized four smart dairy farms in Lurambi, Matungu, Lugari and Khwisero sub counties with a total of 125 high pedigree dairy animals. Each smart dairy farm hosts an average of 30 dairy cows.

During the year we had a herd size of 125 animals as shown below:

SDF	KABRAS		BUKURA		KHWISERO		MATUNGU		TOTAL	
	Opening stock as at 1 st of July 2022	Closing Stock as at 30 th June 2023	Opening stock as at 1 st of July 2022	Closing Stock as at 30 th June 2023	Opening stock as at 1 st of July 2022	Closing Stock as at 30 th June 2023	Opening stock as at 1 st of July 2022	Closing Stock as at 30 th June 2023	Opening stock as at 1 st of July 2022	Closing Stock as at 30 th June 2023
Mature cows	12	15	22	17	10	10	21	20	65	62

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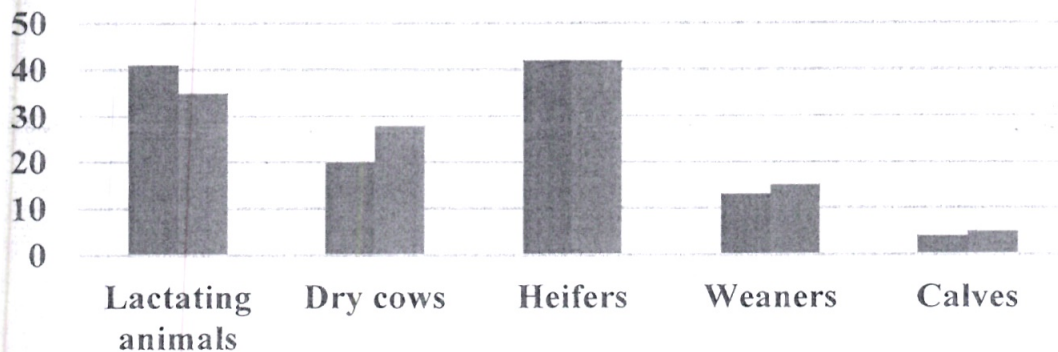
In calf heifers	4	2	0	2	8	8	1	1	13	13
Bulling heifers	9	8	0	6	6	6	9	10	24	30
Weaner heifers	2	5	9	4	4	4	2	4	17	17
Female calves	2	1	1	2	0	0	1	0	4	3
Bull calves	0	0	2	0	0	0	0	0	2	0
GRAND TOTAL									125	125
Death	0	1	0	5	0	0	0	3	0	9

These farms have pedigree dairy animals in different stages of lactation and milk production. The farms are managed by farm managers employed by the corporation. Milk produced on these farms is sold locally and revenue collected is banked in the corporation's accounts.

The Corporation's smart dairy farms are fully operated as zero grazing units with animals confined to the units and intensively fed on a mixed ration, minerals, vitamins and water. The corporation increased its maize fodder crop from 827 tons in the last financial year to 903 tons in the FY of reporting. The maize fodder was harvested and stored as silage to feed the dairy herd.

Comparison of physiological status of KDDC herd structure in the last two FY

■ FY 2021/22 ■ FY 2022/23



The corporation also procures hay and supplements for the animals. In its 5 year Strategic Plan, the corporation intends to increase the acreage of animal fodder to reduce reliance on procured feeds and for increased sustainability and saving on cost.

On average the operational farms lie on land of between 8 to 12 acres belonging to the corporation and the County Government of Kakamega.

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In the reporting period, the total population of animals in the four smart dairy farms closed at 125, with lactating cows closing at 35; dry cows closing at 28, heifers closing at 42, weaners closing at 15 and calves closing at 5. The entire herd was vaccinated against LSD, FMD, Black quarter, Anthrax and Rabies during the year.

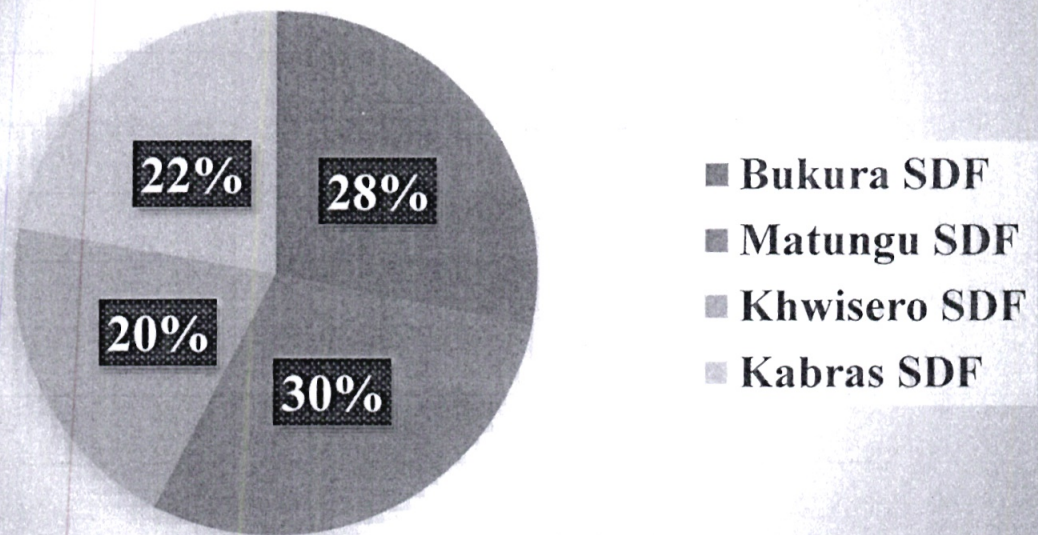
Nine animals died during financial year 2022/2023 due to old age and hardware disease while 23 animals calved down and ten male calves were sold during the year.

In this reporting period, the four operational smart farms produced a total of 113,724.7 litres of milk (representing an 7.9% reduction compared to previous FY), with Bukura producing 32,019 litres (representing decrease of 30.7% compared to last FY): Matungu producing 33,468 litres (representing decrease of 37.3% compared to last FY), Kabras producing 25,252.7 litres (representing an increase of 24.9% compared to last FY) and Khwisero producing 22,984.5 litres (representing an increase of 533%). The decreases in milk production across the farms were occasioned by inconsistent availability of supplies of production due to delays in exchequer disbursements and underfunding of the recurrent budget while the large increase for Khwisero was attributed to a large number of initial parent stock heifers coming into milk/lactation.

Table: Milk production status:

SDF	No of lactating cows	Target average/cow/day	annual target	Actual production	Target % achieved	% deviation	Milk sold	Average production/cow/day (L)	Calf (s) Consumption	liters of milk spoilt.
Bukura	9	15	48,600	32,019	65.88	-34.1	28,417.6	9.8	3,583.9	17.5
Matungu	9	13	50,817	33,468	65.86	-34.1	31,348.7	10.3	1,993.8	125.5
Khwisero	7	12	30,200	22,984.5	76.1	-23.9	22,290.2	9	694.3	0
Kabras	10	11	55,083	25,252.7	48.84	-54.1	20,828.44	7	4,424.26	0
Total	35	12.75	184,700	113,724.7	61.6	-38.4	102,884.9	9	10,696.26	143

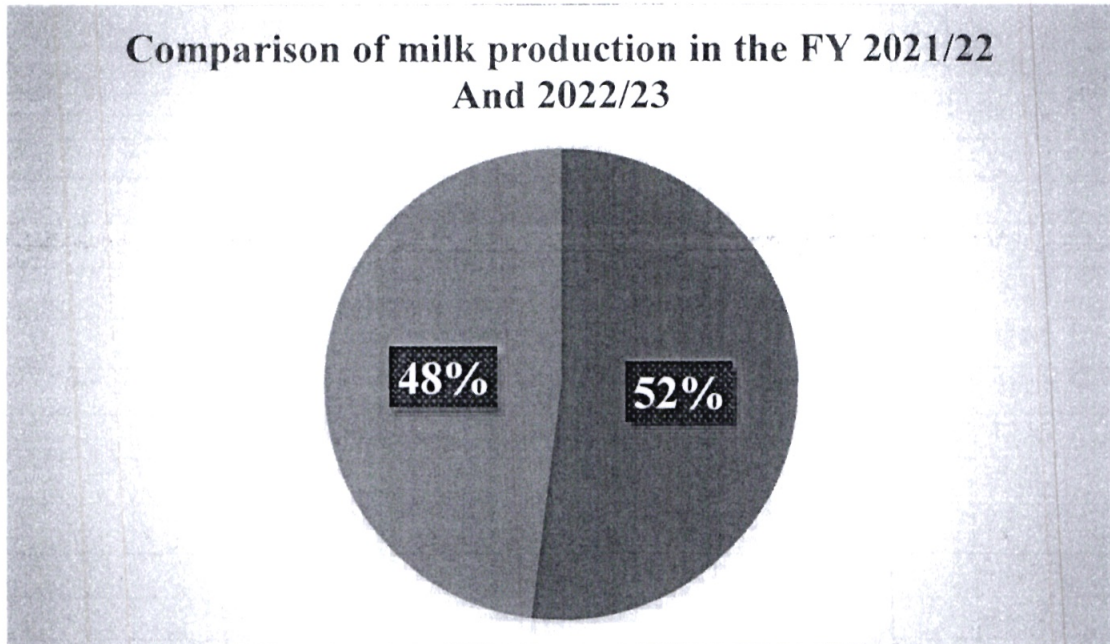
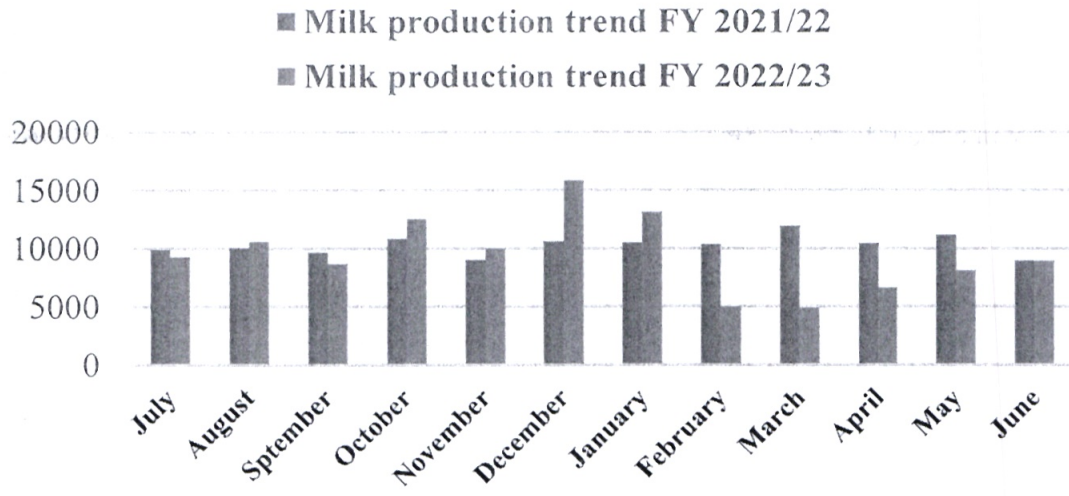
Comparison of milk production in Ltrs % in all SDFs In the FY 2022/23



COMPARISON OF MILK PRODUCTION FOR TWO FY 2021/22 AND 2022/23

Month	Milk production trend FY 2021/22	Milk production trend FY 2022/23
JULY -	9,916	9,297.9
AUGUST	10,047	10,605.8
SEPT-	9,647.2	8,685
OCT-	10,829.4	12,563
NOV-	9,026	10,020
DEC	10,600	15,862.5
JAN	10,483	13,097
FEB	10,357.5	5011.5
MARCH	11,926	4,891
APRIL	10,476	6,625.5
MAY	11,194	8,134
JUNE	8,974	8,931.5
Total	123,475.1	113,724.7

**Comparison of Milk production for the FY
2021/22 And 2022/23**



The milk produced in the reporting period achieved a 61.1% milk production on target. Non achievement of the target was attributed to inconsistency in supplies of production due to delays in funds disbursements from the exchequer, underfunding of the budget and some animals staying in

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the dry period longer than expected among other causes including illnesses. The average production per cow per day was 9 litres during the reporting period.

In this period, the corporation collected total revenue of Kshs. 5,633,890 from the sale of milk, manure and bull calves on the four operational farms (representing an increase of 9.9% compared to last FY). The decreases in revenue collection across the farms were occasioned by inconsistent availability of supplies of production due to delays in exchequer disbursements and underfunding of the recurrent budget while the large increase for Khwisero was attributed to a large number of initial parent stock heifers coming into milk/lactation.

Table showing revenue collection for FY 2022/2023

FY 2022/23	Market Source	Milk sold	Target revenue	Actual revenue	% achieved	% deviation	Average Price Pe/Lt/kg	Bull calves	Manure sold	Total Revenue Ksh. 2022/23
KABRAS	Local, market	20,828.4	1,560,000	1,041,422	67	-33	50	15,000	20,000	1,076,422
BUKURA	Local, market	28,417.6	1,630,080	1,705,056	105	5	60	45,000	15,000	1,765,056
KHISERO	Local, market	22,290.2	1,556,400	1,114,510	72	-28	50	20,000	-	1,134,510
MATUNGU	Local, market	31,348.7	1,599,600	1,567,435	98	-2	50	20,000	42000	1,657,902
Totals		102,884.9	6,346,080	5,428,423	85.5	-14.5	52.76	100,000	77,000	5,633,890

The sale of bull calves netted a total of Kshs. 100,000 for the corporation in the reporting period (representing an decrease of 16.7% compared to last FY). Sale of bull calves in Bukura netted revenue of Kshs. 45,000; sale of bull calves netted revenue of Kshs. 20,000 from Matungu farm while Kshs. 15,000 was realised from sale of bull calves in Kabras farm. Sale of bull calves in Khwisero netted Kshs. 20,000.

Table showing milk revenue trends for FY 2021/22 and FY2022/23:

Months	Bukura KES	Matungu KES	Kabras KES	Khwisero KES	Total KES FY 2022/23	Total KES FY 2021/22
July-22	220,026	140,320	57,500	40,700	458,546	384,994
August-22	228,810	154,655	73,650	74,660	531,775	387,386
Sept-22	147,360	123,380	72,500	76,025	419,265	390,972
Oct-22	203,280	213,300	112,600	82,500	611,680	447,252

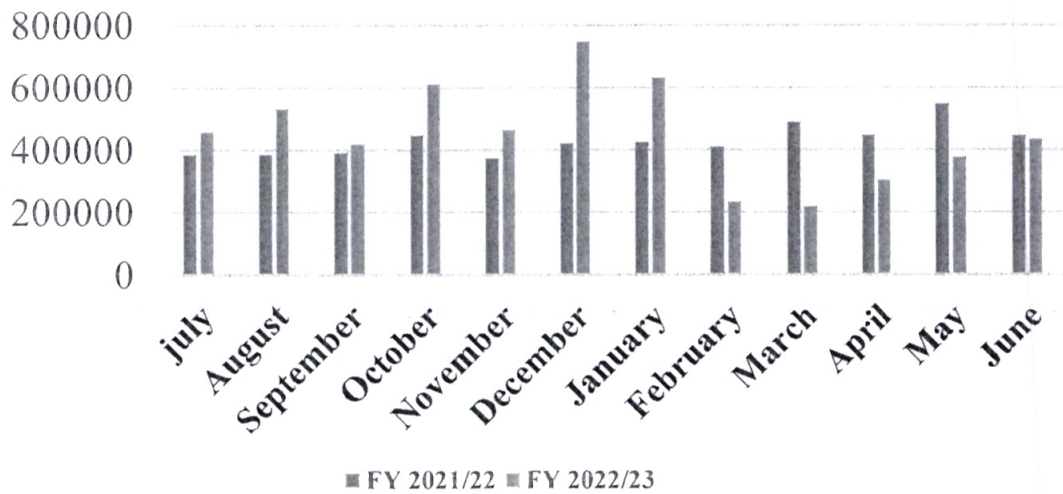
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Nov-22	134,160	139,050	96,325	94,625	464,160	373,354
Dec-22	215,760	195,380	198,975	137,125	747,240	421,261
Jan 23	166,500	139,675	140,875	185,075	632,125	425,158
Feb 23	59,340	56,525	34,900	82,250	233,015	412,035
March 23	60,930	66,550	25,300	64,500	217,280	489,507.5
April 23	79,110	93,625	58,547	71,700	302,982	447,410.5
May 23	85,080	112,275	75,150	102,675	375,180	547,050
June 23	104,700	132,700	95,100	102,675	435,175	445,815
Total	1,705,056	1,567,435	1,041,422	1,114,510	5,428,423	5,172,196.25

Comparison of revenue collected from milk in FY 2021/22 and FY 2022/23



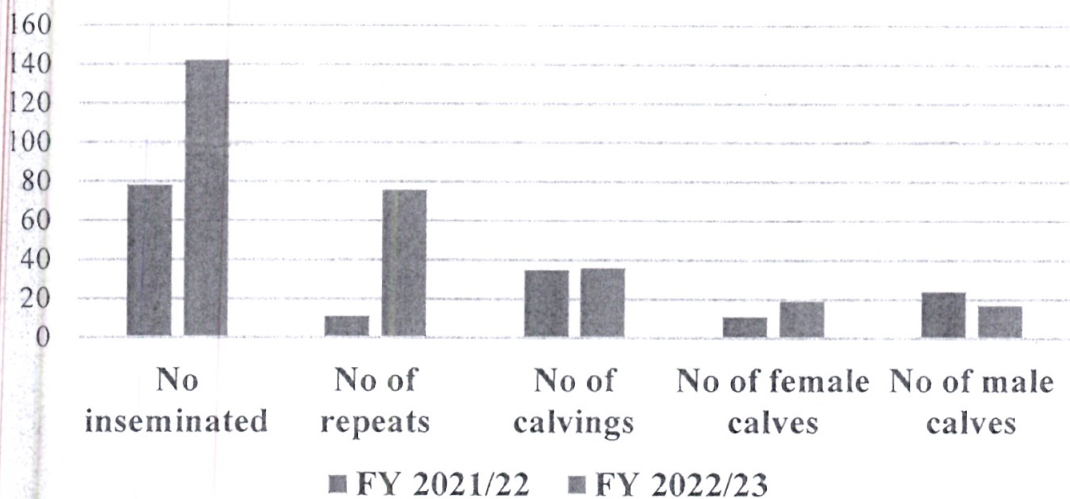
The heifers born on the four smart farms are bred and prepared for distribution to newly constructed smart farms while bull calves are sold for revenue. The animals coming into heat are served using artificial insemination.

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Comparison of breeding Activities in the last two FYs



Fodder Development:

The corporation develops its own maize fodder for preparation of maize silage for the animals. It also procures hay and dairy meal for the dairy herd. A total of 49.5 acres of maize fodder were developed for fodder production. There was a reduction of 18.2% on acreage of fodder cultivated occasioned by late disbursement of funds from the exchequer.

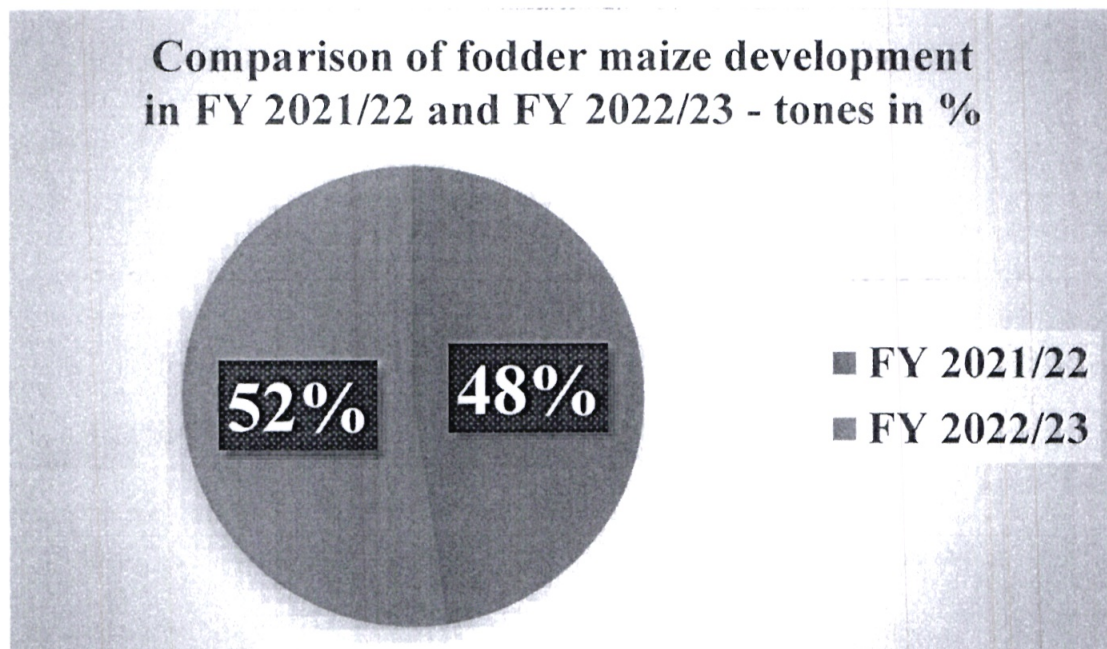
Table showing maize fodder development across SDFs:

S/NO	Name of the farm	FY 2021/22		FY 2022/23	
		Acreage	Yield in tons	Acreage	Yield in tons
1	Bukura SDF	9	144	9	180
2	Matungu SDF	7.5	90	7.5	105
3	Kabras SDF	8	152	8	192
4	Malava SDF	6	50	6	100
5	Shitoli SDF	4.5	72	4.5	99
6	Khwisero	6.5	84	6.5	120
7	Shibinga SDF	8	80	8	104
8	Navakholo SDF	5	90	-	-
9	Likuyani SDF	6	60	-	-
	Total	60.5	822	49.5	903

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Fodder maize establishment was done in two seasons in the short and long rains season.

Animal feeding management:

The corporation's dairy herd is bred under zero grazing. The main feed ration is composed of maize silage, hay, dairy meal and mineral supplements.

Table showing feed rations per smart dairy farm:

2022/23FY	Silage (kg)	Hay (kg)	Dairy meal HY-19% (kg)	Dairy meal Std-14% (kg)	High phosphorus (kg)	Fertility powder (kg)	Dry cow (kg)	Calf pellets (kg)
BUKURA	172,092	34,555	22,035	8,723	724.05	348.6	212.1	618
KABRAS	198000	41400	25920	15120	648	936	576	3960
KHWISERO	17.8	315	1948	1148	70	6	0	100
MATUNGU	161,552	34,553	22,035	8,723	725	349	213	618
TOTAL	531,662	110,823	71,938	33,714	2167.05	1639.6	1001.1	5296

Farm visits/trainings:

Smart dairy farms are open learning centres for individual farmers, co-operatives, youths and students. During the year 2022/2023, 796 persons visited the farm for learning purposes, while the total number of visitors to all the four smart dairy farms was 1,366 persons.

SDF	BUKURA			KABRAS			KHWISERO			MATUNGU			TOTAL			
	CATEGORIES	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
1	Farmers	235	130	365	59	62	121	0	0	0	176	10	186	470	202	672
2	Students	265	141	406	40	24	64	0	0	0	55	52	107	360	217	577

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3	Dignitaries	8	3	11	2	1	3	7	2	9	3	4	7	20	10	30
4	VIP	4	1	5	5	3	8	0	0	0	1	3	4	10	7	17
5	Senior corporation staff	5	4	9	32	7	39	0	1	1	15	6	21	52	18	70
	TOTAL	517	279	796	138	97	235	7	3	10	250	75	325	912	454	1,366

KDDC 5 Year Strategic Plan:

In the reporting period, the Corporation developed its five-year Strategic Plan that is being reviewed to align it to H.E. the Governor's manifesto and six point agenda. In the previous year, the corporation developed and adopted Official Logo and Service Charter. The five year Strategic Plan will help the corporation focus on its ambition for its future activities and help determine how best to achieve these. The plan will determine the direction for corporation focusing on the corporation's efforts and ensure that everyone in the corporation is working towards a common goal.

Repairs on operational smart dairy farms:

In the reporting period, the corporation carried out minor repairs and additional works on the four operational smart dairy farms of Bukura, Matungu, Kabras and Khwisero providing an improved environment for animal husbandry, health and improved service delivery.

Construction of new Smart dairy Farms:

Also in this period, the corporation continued to supervise the construction six new smart dairy farms in Malava, Ikolomani, Butere, Mumias East, Navakholo and Likuyani sub counties. The completion rates for the projects are currently at between 20% and 95%. Once they are completed and operationalized, the farms will increase the entire dairy herd to over 250 animals, including revenue collected from sale of milk.

The construction of Malimili Smart Dairy Farm in Shinyalu Sub County that was awarded in FY 2019/20 was stopped by a court order in July 2020 following a case filed by a litigant. The case is ongoing in court and is due for mention in July 2022.

The corporation is also procured two fodder shredders; one harmer mill and one double cabin vehicle to enable it mechanize its activities, improve production efficiency, service delivery and increase supervision of its activities. The mother department of Agriculture, Livestock and Cooperatives has donated two used tractors and one trailer to the corporation to improve fodder development activities.

Financial management:

The corporation has also adopted ICT platforms to improve service delivery. In the reporting period, the corporation procured one laptop for the accounts department.

The corporation is fully migrated to Internet based banking in its financial management and Pay bill for revenue collection. The corporation collected a revenue of KES 5,633,890 in the reporting period against a revenue of KES 5.1 million the previous year, this being a 9.9% increment from the previous year.

In this reporting period, the Corporation received from County Government of Kakamega a total of Kshs 64,754,155 against a budget of Kshs. 118,419,440 with a performance difference of minus 53,665,285 (55%).

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Table: Approved Budget Analysis.

	FY	Final Budget	Actual on comparable basis	Performance Difference	%
RECIPTS		Kshs	Kshs	Kshs	
Transfers from County Govt.	2020-2021	66,063,034.00	30,415,975.00	(35,647,059)	46%
Transfers from County Govt.	2021-2022	93,913,200.00	68,561,155.50	(25,352,044)	73%
Transfers from County Govt.	2022-2023	118,419,440	64,754,155	(53,665,285)	55%

Having been enacted in the year 2018, the Corporation is in its formative stages of development and is developing key instruments for a sound and solid foundation to enable it deliver on its mandate. It is also undergoing restructuring at the management level to attain national and international standards of corporate governance. The CEO and the Board of Directors will endeavour to achieve relevant strategies, development of strategic plan and policies that will create a sound foundation for service delivery to dairy stakeholders in Kakamega County.

Risk management structure and Roles:

The risk management structure of the corporation comprises of management team Audit & risk committee of the board that comprises of representatives independent members of the board, management and the internal audit of the county government.

Role of management team

Management implements risk mitigating actions as approved by the Audit and risk committee. This contributes to the development of the risk management system. In addition management receives and approves quarterly reports on operational risks and reports to the audit and risk committees on any risks identified.

During the financial year, the management conducted an internal training for all the farm managers to increase awareness on operational efficiency.

Role of internal audit:

It provides an independent assurance to the corporation and management through structures audits, reviews and reporting on effectiveness and efficiency of management process.

During the reporting period the internal audit has undertaken an audit on the operations and compliance of the corporation.

Risk categories:

1. Strategic risks arising out of the Strategic plan
2. Financial risks – these are risks associated with financial operations of the corporation
3. Operational risks – the risks that may arise in running KDDC programmes

Economy and dairy industry:

The dairy industry in Kenya has faced major challenges of increased cost of production especially of main source of feed for animals including costs for animal feed raw materials. The cost of dairy meal

also increased substantially in the course of the year. The corporation intends to in future, procure and install its own feed processing facility to lower the cost of dairy meal. The corporation also intends to increase the land under maize fodder through leasing/purchase of more land in future.

10. Environmental and Sustainability Reporting

i) *Sustainability strategy and profile*

The corporation has developed twelve smart dairy farms across the county for commercial rearing of dairy animals. The milk produced on the Smart Dairy Farms is sold to the local community and revenue banked to sustain the Corporation's activities. The male bull calves born on the farm are sold and revenue banked while female calves are raised into heifers that are later distributed to newly constructed Smart Farms thus saving the corporation cash that would have been used to procure cows from outside.

The four developed and operational smart farms netted Kshs. 5,633,890 for the corporation. This money will be ploughed back into the corporation to improve its facilities and operations.

ii) *Environmental performance*

The Corporation has developed its five-year Strategic Plan and its environmental policy has been captured in this plan. However, the entire corporations completed; on-going and planned projects comply with requisite environmental laws and seek approval from bodies implementing environmental laws including NEMA and department of Public Health. Our staffs are also well trained on issues of biodiversity, biosecurity and waste management especially on our dairy smart farms.

The Corporation intends to develop and embed environmental policy in future as it develops into a strong corporation.

The operational smart farms collect animal waste which is stored in carefully designed slurry pits. The slurry waste is spread after maturity into the fodder farms to improve manure content and reduce on use of chemical/commercial fertilizers.

The corporation is already partnering with non-state actors like Regen Organics, Ripple Effect and GIZ in developing waste management programs geared towards reducing environmental impact especially on managing animal waste into organic manure through a 360-degree process. The processed manure is being used by the corporation on its fodder farms reducing the usage of fertilizers. Excess manure is sold to local farmers improving revenue collection.

iii) *Employee welfare*

The Corporation employs officers and staff as it may deem necessary for the performance of its functions under its Act, section 15 subject to powers of the County Public Service Board under Section 6(3) of the Kakamega County Public Service Board Act, 2018. The County Public Service Board determines the remuneration of the other employees of the Corporation in line with the guidelines set by the Salaries and Remuneration Commission. All appointments take into account gender equity and regional balance.

The corporation is currently relying largely on seconded staff from the parent line Departments of Agriculture, Livestock, Fisheries and Cooperatives; Finance and Economic Planning and the Office of the Governor.

The corporation also hires low cadre officers (farm managers, farm hands and casuals) on contract terms, renewable based on performance.

The corporation has developed its organizational structure with support from the County Public Service Board (PSB) and with approval of the Board. This structure takes into consideration National and County Acts/laws. The corporation has started implementing this structure with support from the department of Public Service and Administration.

The Corporation also is in the process of developing its policies guiding staff hiring process, job descriptions, terms of references and performance contracting. The current staffs conform to County Public Service hiring and appraisal policies. The departments have respected the gender ratio while seconding this staff to the corporation. The Corporation has also applied the gender ratio while hiring farm managers and farmhands/casuals.

The corporation supports the seconded staff to attend short courses; continuous development courses (CPDs), workshops and seminars aligned to professional development. It also supports payments of staff subscriptions and membership fees to professional bodies.

The Corporation management conducts monthly meetings with all staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the corporation's staff attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

In the reporting period, the corporation purchased and distributed uniforms to all staff cadre. Staffs handling animals were provided with the necessary gear including overalls, gumboots and hand gloves.

The Corporation is also in compliance with Occupational Safety and Health Act of 2007 on all its farms and headquarters office.

Statutory deductions of NSSF and NHIF were deducted monthly and remitted to respective authorities.

iv) *Market place practices-*

a) *Responsible competition practice.*

The Corporation being a county agency has trained its entire staff on code of conduct of public servants and the Ethics and Anticorruption Act. The Corporation is funded by the public funds and ensures high standards of corporate governance. Our farm products are fairly priced and even attract young Kenyans who buy milk from the corporation and continue to retail it at a profit to the public.

The entire corporation's staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

b) *Responsible Supply chain and supplier relations*

The Corporation being a public entity works within structures created by the national and county governments that govern public procurement. The Corporation works within the confines of public procurement act and public finance management act. The corporation respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help her improve skills in public procurement management.

c) *Responsible marketing and advertisement*

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The Corporation sells milk which is its major product at reasonable market rate prices ensuring that it does not undercut upcoming dairy farmers in the locality.

d) *Product stewardship*

All the Corporation's smart farms are managed with consumer rights and interests as a first considering. They adhere to public health regulations and guidelines while producing and selling milk products

v) *Corporate Social Responsibility / Community Engagements*

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

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11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *Corporation's* affairs.

i) Principal activities

The principal activities of the Entity are (continue to be)

- Engaging in the commercial rearing and breeding of dairy livestock;
- Develop, promote and adopt the best practices in the dairy value chain;
- Creating a ready market for milk for dairy farmers;
- Developing and maintaining a milk processing plant in the County;
- Undertaking and promoting research in the field of dairy farming;
- Promoting or assisting in the setting up of dairy training facilities;
- Providing advisory services to stakeholders of dairy farming;
- Facilitating acquisition of farm inputs and machinery subsidy;
- Promote Dairy Cooperative activities within the County.

Services offered by the Corporation:

The Corporation through its service charter offers the following services:

S/NO	SERVICE PROVIDED	CUSTOMER OBLIGATION	CHARGES (KSH)	DURATION	SERVICE DELIVERY POINT
1.	Customer/visitors reception and response to general inquiries	Courtesy (visit Headquarters/SDF)	Free	Immediately	Corporation Headquarters All Smart Dairy Farms
2.	Telephone calls	Courtesy	Free	First 3 rings	Corporation Headquarters All Smart Dairy Farms
3.	Routine correspondence	Courtesy	Free	Within 5 days	Corporation Headquarters All Smart Dairy Farms
4.	Technical correspondence	Courtesy	Free	Within 14 days	Corporation Headquarters All Smart Dairy Farms
5.	Provision of training and advisory services	Letter of request/on need basis	Determined by nature/ type of training	1 Day - 1 Month	Corporation Headquarters All Smart Dairy Farms

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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For the year ended June 30, 2023.

6.	Sale of milk	Courtesy	Kshs. 45 per litre	Immediately	All Smart Dairy Farms
7.	Sale of heifers	Courtesy	Kshs. 150,000	Periodically (When available)	All Smart Dairy Farms
8.	Sale of cow culls	Courtesy	Reserve price set by the Valuer	Within 6 months	All Smart Dairy Farms
9.	Sale of bull calves	Courtesy	Kshs. 5,000	1 Week (When available)	All Smart Farms
10.	Sale of manure	Courtesy	Kshs.1,000 per ton	1 Week (When available)	All Smart Dairy Farms
11.	Facilitate access to milk cooling and bulking centres	Make milk available	Charges to be determined by the Board	Immediately	All Smart Dairy Farms
12.	Facilitate formation/strengthening of organized group milk marketing channels	Courtesy	As per the Cooperative Society Act	1 Month	Corporation Headquarters
13.	Procure and distribute in calf heifers	List of potential beneficiaries	Free	Periodically	At Ward level
14.	Facilitate pass-on of one cow initiative heifers	List of potential beneficiaries	Free	Periodic (Every after 3 months)	At the Ward level
15.	Award of tenders and quotations	Tender/ Quotation Documents	As per provisions of Public Procurement Act of 2015	30 Days	Corporation Headquarters
16.	Supervision of construction works at Smart Dairy Farm projects	Work implementation on schedules by contractors	Free	As per specified period in the schedule	Corporation Headquarters All Smart Dairy Farms
17.	Monitoring of projects	Work implementation on schedules	Free	As per specified period/work plans	Corporation Headquarters All Smart Dairy Farms and farmers

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Report and Financial Statements

For the year ended June 30, 2023.

18.	Merchant processing	payment	Provide invoice, delivery notes and certificates of completion	Free	7 days	Corporation Headquarters
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ii) Results

The results of the Corporation for the year ended June 30, 2023, are set out on pages 1 to 7

iii) Directors

The members of the Board of Directors who served during the year are shown on page xiii to xvi

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Kakamega Dairy Development Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Name: CS Daniel Musita

ICPS NO:

Secretary to the Board

12. Statement of Directors Responsibilities

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 Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the *Corporation's* financial statements, which give a true and fair view of the state of affairs of the *Corporation* for and as at the end of the financial year ended on June 30, 2023. 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 Corporation;
- (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 *Corporation*;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *Corporation's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the *Corporation's* financial statements give a true and fair view of the state of *Corporation's* transactions during the financial year ended June 30, 2023, and of the *Corporation's* financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the *Corporation*, which have been relied upon in the preparation of the *Corporation's* financial statements as well as the adequacy of the systems of internal financial control.

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

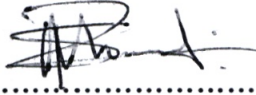
Annual Report and Financial Statements

For the year ended June 30, 2023.

Nothing has come to the attention of the Directors to indicate that the *Corporation* 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 Corporation's financial statements were approved by the Board on 20/12/23
2023 and signed on its behalf by:



.....
Name: Francis Sikolia Murambi
Chairperson of the Board



.....
Name: Dr. Isaac Lubutsi
Accounting Officer (CEO)

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Dairy Development Corporation set out on pages 1 to 65, which comprise of the statement of

Report of the Auditor-General on Kakamega County Dairy Development Corporation for the year ended 30 June, 2023

financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Dairy Development Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kakamega County Dairy Development Corporation Act, 2018.

Basis for Qualified Opinion

1. Inaccuracy of Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.107,489,005 in respect of property, plant and equipment and as disclosed in Note 16 to the financial statements. The Note reflects balance of Kshs.Nil in respect of land. However, the annual report under Management Discussion and Analysis, and Environmental and Sustainability Reporting sections indicates that the Corporation has developed twelve (12) smart dairy farms across the County for commercial rearing of dairy animals and Note 17 list four (4) of the farms. No explanation was provided on why the 12 farms and related values have been excluded in the financial statements

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.107,489,005 could not be confirmed.

2. Inaccuracy of Transfers from County Executive

The statement of financial performance and statement of changes in net assets reflects amounts of Kshs.6,600,000 and Kshs.58,154,155 being recurrent receipts and development grants received during the year from the County Government of Kakamega respectively, totalling Kshs.64,754,155. However, the financial statements of the County Executive for the year ended 30 June, 2023 reflect transfers to the Corporation of Kshs.70,754,155. The variance of Kshs.6,000,000 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers from the County Treasury of Kshs.64,754,155 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Dairy Development

Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.125,984,840 and Kshs.70,388,045 respectively, resulting to under-funding of Kshs.55,596,795, or 44% of the budget. Similarly, the Fund expended Kshs.80,803,170 against an approved budget of Kshs.125,984,840, resulting to under-performance of Kshs.45,181,670 or 36% of the budget. Further, the under-performance balance of Kshs.45,181,670 is at variance with that of Kshs.44,265,593 reflected in the statement. The difference of Kshs.916,077 has not been explained or reconciled.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, out of the issues, six (6) had not been resolved as at 30 June, 2023 and Management has not provided any explanation on why the issues have not been resolved as required by the Public Sector Accounting Standards Board reporting template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Report of the Auditor-General on Kakamega County Dairy Development Corporation for the year ended 30 June, 2023

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Completion of Smart Farms

The County Government of Kakamega, through Kakamega County Dairy Development Corporation, signed contracts on 22 February, 2022 for construction of three (3) smart dairy farms, at contract sums totalling Kshs.33,629,475 and contract period of eight (8) months each, as shown below:

Smart Dairy Farm Project	Contract Sum (Kshs)	Amount Paid (Kshs)	Completion Percentage	Balance (Kshs)
Shibinga	10,654,987	5,724,870	54%	4,930,117
Butere	11,361,616	6,111,855	54%	5,249,761
Shitoli	11,612,872	7,557,758	65%	4,055,114
Total	33,629,475	19,394,483		14,234,992

However, physical inspection of the projects on 29 November, 2023 revealed that the projects had not been completed although the respective project durations had elapsed. As at the time of inspection, a total amount of Kshs.19,394,483 had been paid to the contractors. No justifiable explanation was provided for the inordinate delay in completing the projects.

In the circumstances, the value for money was not obtained for the projects.

2. Non-compliance with Procurement Law on Reservation for Special Groups

The annual procurement plan provided for audit review revealed that the Corporation planned to procure goods, works and services worth Kshs.99,060,885. However, out of this amount, only goods, works and services worth Kshs.4,071,440, or 4% were reserved for the youth, women and people with disabilities, contrary to Section 157(5) of the Public Procurement and Asset Disposal Act, 2015 which provides that at least 30% of the total procurement portfolio be reserved for these special groups.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy

During the year under review, the Corporation operated without a risk management policy contrary to the provisions of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer should ensure that there is a risk management policy that includes prevention mechanisms and systems.

In the circumstances, effectiveness of internal controls and risk management could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation or to cease its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Report of the Auditor-General on Kakamega County Dairy Development Corporation for the year ended 30 June, 2023

reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

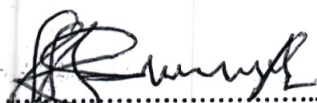
12 February, 2024

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
Annual Report and Financial Statements
For the year ended June 30, 2023.

14. Statement of Financial Performance for the year ended 30 June 2023

	Notes	FY	FY
		2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from County Treasury	6	6,600,000	68,561,156
		6,600,000	68,561,156
Revenue from exchange transactions			
Own Source of Revenue	7	5,633,890	5,071,285
Total revenue		12,233,890	73,632,440
Expenses			
Use of goods and services	8	34,962,578	39,947,270
Employee costs	9	10,710,518	6,860,960
Board Expenses	10	2,561,400	2,268,150
Depreciation and amortization expense	16	6,770,211	4,418,070
Repairs and maintenance	11	1,262,430	0
Total expenses		56,267,137	53,494,450
Deficit/Surplus before tax		(44,033,247)	20,137,990
Remission to County Treasury	12	0	(2,476,692)
Net Surplus for the year		(44,033,247)	17,661,298

The notes set out on pages 27 to 37 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 and 2 were signed on behalf of the Board of Directors by:



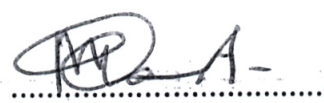
Name: Dr. Isaac Lubutsi
Accounting Officer

Date: 20/12/23



Name: CPA Ashyline Ambetsa
Head of Finance
ICPAK M/No: 31629

Date: 20/12/2023



Name: Francis Sikolia Murambi
Chairman of the Board

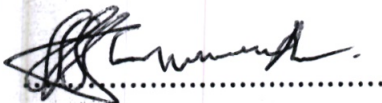
Date: 20/12/23

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
Annual Report and Financial Statements
For the year ended June 30, 2023.

15 Statement of Financial Position as at 30 June 2023

	Notes	FY	FY
		2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	2,897,417	7,918,223
Receivables from Non-Exchange Transactions	14	2,114,750	0
Inventories	15	8,370,072	0
Total Current Assets		13,382,239	7,918,223
Non-Current Assets			
Property, Plant and Equipment	16	107,489,005	89,723,183
Biological Assets	17	20,520,000	20,520,000
Total Non- Current Assets		128,009,005	110,243,183
Total Assets		141,391,244	118,161,406
Liabilities			
Current Liabilities			
Trade and Other Payables	18	32,599,477	26,592,526
Retention account	19	3,101,979	0
Total Current Liabilities		35,701,456	26,592,526
Non-Current Liabilities			
Deferred Tax Liabilities	20	0	0
Total Non- Current Liabilities		0	0
Total Liabilities		35,701,456	26,592,526
Net Assets			
Reserves		20,520,000	20,520,000
Accumulated Surplus/Deficit		(37,031,102)	7,002,145
Capital Fund		122,200,890	64,046,735
Total Net Assets		105,689,788	91,568,880
Total Net Assets and Liabilities		141,391,244	118,161,406

The financial statements set out on pages 3 and 4 were signed on behalf of the Board of Directors by:



Name: Dr. Isaac Lubutsi
Accounting Officer

Date: 20/12/23



Name: CPA Ashyline Ambetsa
Head of Finance

ICPAK Member No: 31629

Date: 20/12/23



Name: Francis Sikolia Murambi
Chairman of the Board

Date: 20/12/23

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Report and Financial Statements

For the year ended June 30, 2023.

16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Surplus/Deficit	Proposed dividends	Capital/	Total
						Development Grants/Fund	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021	64,046,735	0	0	(10,659,154)	0	0	53,387,581
Revaluation gain	0	20,520,000	0	17,661,299	0	0	38,181,299
As at June 30, 2022	64,046,735	20,520,000	0	7,002,145	0	0	91,568,880
As at July 1, 2022	64,046,735	20,520,000	0	7,002,145	0	0	91,568,880
Reserves-Balance b/f	0	0	0	-	0	0	0
Prior year Adjustment of retention balance b/f	0	0	0	-	0	0	0
Surplus/ (deficit) for the year	0	0	0	(44,033,247)	0	0	(44,033,247)
Capital/development grants received during the year	58,154,155	0	0	-	0	0	58,154,155
As at June 30, 2023	122,200,890	20,520,000	0	(37,031,102)	0	0	105,689,788

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Report and Financial Statements

For the year ended June 30, 2023.

17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	FY 2022-2023	FY 2022-2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	6,600,000	68,561,156
Sale of goods	7	5,633,890	5,071,285
Total receipts		12,233,890	73,632,441
Payments			
Use of goods and services	8	34,962,578	28,893,211
Employee costs	9	10,710,518	6,860,960
Board Expenses	10	2,561,400	2,268,150
Repair and maintenance	11	1,262,430	0
Transfers	12	-	2,476,691
Total payments		49,496,926	41,099,012
Net cash flows from/(used in) operating activities		(37,263,036)	32,533,429
ADJUSTED FOR:			
Decrease/(increase) in outstanding imprests & advances		(2,114,750)	0
Decrease/(increase) in inventories		(8,370,072)	0
Increase/(decrease) in Trade Payables		9,108,930	0
Net changes in Assets		(1,375,892)	0
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(24,536,033)	(31,089,572)
Net cash flows from/(used in) investing activities		(24,536,033)	(31,089,572)
Cash flows from financing activities			
Proceeds from issue of shares		58,154,155	0
Net cash flows from financing Activities		58,154,155	0
Net increase/(decrease) in cash & Cash equivalents		(5,020,806)	1,443,856
Cash and cash equivalents at 1 July	13	7,918,223	6,474,367
Cash and cash equivalents at 30 June	13	2,897,417	7,918,223

The cash flow has been prepared using a direct method

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Report and Financial Statements

For the year ended June 30, 2023.

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	118,419,440	0	118,419,440	64,754,155	53,665,285	55
Sale of Goods	7,565,400	0	7,565,400	5,633,890	1,931,510	74
Total Income	125,984,840	0	125,984,840	70,388,045	55,596,795	56
Expenses						
Use of Goods and Services	37,970,780	(44,930)	37,925,850	34,962,578	2,047,195	92
Employee costs	11,500,000	100,000	11,600,000	10,710,518	889,482	92
Remuneration of Directors	3,670,600	(163,870)	3,506,730	2,561,400	945,330	73
Repairs and Maintenance	2,843,460	58,800	2,902,260	1,262,430	1,639,830	43
Depreciation and amortization expense	7,000,000		7,000,000	6,770,211	229,789	97
Development Projects	63,000,000	50,000	63,050,000	24,536,033	38,513,967	39
Total Expenditure	125,984,840	0	125,984,840	80,803,170	44,265,593	64
Surplus for the period				(10,415,125)		
Capital Expenditure	63,000,000	50,000	63,050,000	24,536,033	38,513,967	39

Budget notes

1. Explanation on significant underutilization

Transfers from other Government entities-This is the money the corporation expected from the County Treasury. The county treasury did not transfer all the money as per the budget because of the delay in exchequer disbursements

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Sale of goods-This is the revenue expected from the sale of milk, Manure and bull calves. The corporation did not collect up to 100% because the production of milk was not realised to the quantity budgeted for.

On the under expenditure-The corporation did not absorb to 100% because the county treasury did not transfer all the money

2. Explanation of changes between original and final budget

There was no changes between original and final budget.

3. The total of actual on comparable basis does not tie to the statement of financial performance below is reconciliation statement

	Statement of Comparison of Budget and Actual amounts	statement of financial performance		
Revenue				
Transfers from Other Governments entities	64,754,155	6,600,000	58,154,155	The difference has been capitalised under reported under the statement of changes in net assets
Sale of Goods	5,633,890	5,633,890	0	Balanced
Total Income	70,388,045	12,233,890	58,154,155	
Expenses				
Use of Goods and Services	34,962,578	34,962,578	0	Balanced
Employee costs	10,710,518	10,710,518	0	Balanced
Remuneration of Directors	2,561,400	2,561,400	0	Balanced
Repairs and Maintenance	1,262,430.00	1,262,430	0	Balanced
Depreciation and amortization	6,770,211	6,770,211	0	Balanced

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expense				
Development Projects	24,536,033		24,536,033	The difference has been recognised under the statement of Financial position under PPEs
Total Expenditure	81,719,247	57,183,214	24,536,033	
	(11,331,202)	(44,949,324)		

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19. Notes to the Financial Statements

1. General Information

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega on 4th July 2018, as a body corporate with perpetual succession and common seal, to provide a legal framework for the development of the dairy value chain in Kakamega County. The Act makes provisions for the role of the corporation in the dairy industry in the County and related matters in furtherance of the fourth schedule of the constitution. The Corporation is domiciled under the Department of Agriculture, Livestock, Fisheries and Co-operatives.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Entity*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>Does not impact the entity’s financial statements due to the nature of operations</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social</p>

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	<p>benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>Does not impact the entity's financial statements due to the nature of operations</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>Does not impact the entity's financial statements due to the nature of operations</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023

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	<p>IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>Does not impact the entity's financial statements due to the nature of operations</i></p>
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ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Does not impact the entity's financial statements due to the nature of operations</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>Does not impact the entity's financial statements due to the nature of operations</i></p>

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year or the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The *Entity* recognizes revenues from fees, taxes and fines 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, deferred 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 *Entity* 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 *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The *Entity* recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *Entity*.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the *Entity*'s right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the *Entity* upon receiving the respective approvals in order to conclude the final budget.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

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

c) Taxes

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 *Entity* 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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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 an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

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 Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. The depreciation of PPE is done on a straight line basis as follows, Buildings at 3%, Motorvehicles at 25%, furniture and fittings at 12.5%, computers and ICT equipment's at 25% and farm machineries at 25%.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Entity*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Entity* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Entity* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Entity*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Entity* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

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 conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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,

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Annual Reports and Financial Statements

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or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the *Entity* 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 *Entity* 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.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m)Contingent liabilities

The Entity 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.

n) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

p) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

q) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (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.

r) Foreign currency transactions

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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Borrowing costs

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.

t) Related parties

The *Entity* regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

u) Service concession arrangements

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

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) 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 imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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For the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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. State all judgements, estimates and assumptions made:

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	FY 2022-2023	FY 2021-2022
	KShs	KShs
Unconditional Grants		
Transfers from County Treasury	6,600,000	68,561,156
Total Unconditional Grants	6,600,000	68,561,156

7. Own Source Revenue

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Sale of goods		
Sale of Milk		
Bukura Smart Farm	1,701,540	1,903,452
Matungu Smart Farm	1,565,500	2,183,298
Kabras Smart Farm	1,040,500	830,955
Khwisero Smart Farm	1,131,350	153,600
Sub- Total from Sale of Milk	5,438,890	4,951,285
Sale of Bull Calves		
Bukura Smart Farm	35,000	35,000
Matungu Smart Farm	20,000	35,000
Kabras Smart Farm	15,000	45,000
Khwisero Smart Farm	20,000	5,000
Sub-Total from Sale of Bull Calves	90,000	120,000
Sale of Manure		
Bukura Smart Farm	7,000	0
Matungu Smart Farm	42,000	0
Kabras Smart Farm	30,000	0
Khwisero Smart Farm	20,000	0
Sub Total from Sale of Farm Manure	105,000	0
Total revenue from the sale of goods	5,633,890	5,071,285

(Bukura sold 28359 litres of milk at sh. 60, Matungu sold 31310 litres of milk at sh. 50, Kabras sold 20810 litres of milk at sh. 50 while Khwisero sold 22627 litres of milk at sh. 50. 14 bull calves were also sold at a standard price of sh. 5,000 and 79 tons of manure at sh. 1,000 per ton.)

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8. Use of Goods and Services

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Utilities (Electricity & Water)	589,931	502,825
Artificial Insemination services	51,200	186,250
Animal treatment	246,930	402,230
Membership Subscriptions fee	85,200	92,200
Purchase of uniforms	0	115,300
Supply of computer accessories	0	287,746
Conferences and Delegations	997,253	1,061,821
Consumables-Supplies of Production	16,088,792	14,717,238
Fuel and Oil	1,759,940	1,234,440
Insurance	0	98,892
One Cow Initiative	2,729,304	1,729,270
Farm development	0	8,946,807
Strategic plan development	0	601,200
Sanitary materials	0	94,892
Maintenance of buildings	0	1,280,680
Publishing and Printing	188,612	1,372,150
General office supplies(papers, pencils)	1,693,453	617,087
Public participation	0	392,550
Other consumables e.g tanks	0	200,701
Maintenance - motor vehicles & cycles & Tractors	0	246,254
Bank charge	392,917	259,561
Telecommunication	242,759	639,000
Domestic Travel and subsistence	0	1,776,175
Daily Subsistence allowances	9,896,287	3,076,680
TOTAL	34,962,578	39,947,270

9. Employee Costs

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Salaries	8,528,398	4,872,109
Casual wages for fodder development	2,182,120	1,988,850
Total Employee costs	10,710,518	6,860,960

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10. Board Expenses

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Chairman/Directors' Honoraria	0	600,000
Sitting Allowances	2,561,400	1,208,150
Travel and Accommodation	0	460,000
Total	2,561,400	2,268,150

11. Repairs and Maintenance

Description	FY 2022-2023	FY 2022-2023
	Kshs	Kshs
Property and equipment	1,262,430	0
Total Repairs and Maintenance	1,262,430	0

12. Remissions to County Treasury

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers to County Treasury	0	2,476,692
Total	0	2,476,692

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Notes to the Financial Statements (Continued)

13. Cash and Cash Equivalents

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
a) Current Accounts		
1.) Operations Account	158,302	483,817
2.) Revenue Account	137,136	5,071,285
3.) Retention Account	2,601,979	2,363,121
Total Cash and Cash Equivalents	2,897,417	7,918,223

Detailed Analysis of the Cash and Cash Equivalents

13 Cash and Cash Equivalents

Financial Institutions	Account Numbers	FY 2022-2023	FY 2021-2022
		Kshs	Kshs
a) Operations Account			
1.) Kenya Commercial Bank	1174166983	158,302	483,817
Sub- Total		158,302	483,817
b) Revenue Account			
2.) Kenya Commercial Bank	1211938727	137,136	5,071,285
Sub- Total		137,136	5,071,285
c) Retention Account			
3.) Kenya Commercial Bank	1291252371	2,601,979	2,363,121
Sub- Total		2,601,979	2,363,121
Grand Total		2,897,417	7,918,223

14. Receivables from Non-Exchange Transactions

Description	FY 2022-2023		FY 2021-2022	
	Current FY	% of the total	Comparative	% of the total
Outstanding Imprest	2,114,750		0	
Total receivables from non- exchange transactions	2,114,750		0	
Ageing Analysis- Receivables from non-exchange transactions				

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			FY	
Less than 1 year	2,114,750	%	0	%
Between 1-2 years	0	%	0	%
Over 3 years	0	%	0	%
Total	2,114,750	%	0	%

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Notes to the Financial Statements (Continued)

15. Inventories

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Consumable stores	8,370,072	0
Total inventories at the lower of cost and net realizable value	8,370,072	0

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

						Kshs	Kshs	
	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Farm Machinery)	Capital Work in progress	Total
As At 1 July 2021	0	38,063,389	4,120,313	2,158,395	2,571,117	0	0	46,913,214
Additions	0	45,453,796		448,614	1,147,870	177,760	0	47,228,040
As at 30th June 2022	0	83,517,185	4,120,313	2,607,009	3,718,987	177,760	0	94,141,254
Additions	0	16,808,300	5,144,801	0	150,000	2,432,932	0	24,536,033
As at 30th June 2023	0	100,325,485	9,265,114	2,607,009	3,868,987	2,610,692	0	118,677,287
Depreciation/Impairment								
At 1 July 2021								
Depreciation	0	2,087,930	1,030,078	325,876	929,747	44,440	0	4,418,071
As at 30th June 2022	0	2,087,930	1,030,078	325,876	929,747	44,440	0	4,418,071
Depreciation	0	2,508,137	2,316,279	325,876	967,247	652,673	0	6,770,211
As at 30th June 2023	0	4,596,067	3,346,357	651,752	1,896,994	697,113	0	11,188,282
Net Book Values								
As at 30th June 2022	0	81,429,255	3,090,235	2,281,133	2,789,240	133,320	0	89,723,183
As at 30th June 2023	0	95,729,418	5,918,757	1,955,257	1,971,994	1,913,579	0	107,489,005

Depreciation rate is applied at 3% for buildings, motor vehicles at 25%, furniture and fittings at 12.5%, computers at 25% and other farm machineries at 25% on straight line method

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Notes to the Financial Statements (Continued)

17. Biological Assets

Farm	Classification	Quantity	2022	2021
			KSsh	KSsh
BUKURA	Lactating Cows	14	2,800,000	2,800,000
	Dry cows	8	1,600,000	1,600,000
	In calf Heifers	0	0	0
	Bulling heifers	0	0	0
	Weaners	9	900,000	900,000
	Female Calves	2	100,000	100,000
Sub-Total		33	5,400,000	5,400,000
MATUNGU	Lactating Cows	18	3,600,000	3,600,000
	Dry cows	6	1,600,000	1,600,000
	In calf Heifers	3	750,000	750,000
	Bulling heifers	7	1,400,000	1,400,000
	Weaners	2	400,000	400,000
	Female Calves	1	50,000	50,000
Sub-Total		36	7,800,000	7,800,000
KABRAS	Lactating Cows	6	1,200,000	1,200,000
	Dry cows	6	1,200,000	1,200,000
	In calf Heifers	4	100,000	100,000
	Bulling heifers	9	1,800,000	1,800,000
	Weaners	2	400,000	400,000
	Female Calves	0	900,000	900,000
Sub-Total		33	5,600,000	5,600,000
KHWISERO	Lactating Cows	3	900,000	900,000
	Dry cows	0	0	0
	In calf Heifers	0	0	0
	Bulling heifers	10	1,800,000	1,800,000
	Weaners	12	1,200,000	1,200,000
	Female Calves	2	100,000	100,000
Sub-Total		33	4,000,000	4,000,000
Gross Total			22,800,000	22,800,000
Less estimated cost of Disposal at 10% gross sale			(2280,000)	(2280,000)
Net Total		123	20,520,000	20,520,000

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18. Trade and Other Payables

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
Trade payables	32,599,477		26,592,526	
Payments received in advance	0		0	
Employee payables	0		0	
Third-party payments	0		0	
Other payables	0		0	
Total trade and other payables	32,599,477		26,592,526	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	32,599,477	100%	26,592,526	100%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (tie to above total)	32,599,477		26,592,526	

19. Refundable Deposits and Prepayments from Customers

Description	Insert Current FY		Insert Comparative FY	
	Kshs		Kshs	
Customer deposits	3,101,979		0	
Prepayments	0		0	
Other deposits	0		0	
Total deposits	3,101,979		0	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	3,101,979	100%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	3,101,979		0	

20. Differed Tax

PAYEE	FY2022/2023		FY2021/2022	
	KShs		KShs	
Differed Tax	0		0	
Total	0		0	

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Notes to the Financial Statements (Continued)

21 Cash Generated from Operations

1	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Surplus for the year before tax	0	0
Adjusted for:		
Depreciation	0	0
Non-cash grants received	(0)	(0)
Contributed assets	(0)	(0)
Impairment	0	0
Gains and losses on disposal of assets	(0)	(0)
Contribution to provisions	0	0
Contribution to impairment allowance	0	0
Finance income	(0)	(0)
Finance cost	0	0
Working capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(0)	(0)
Increase in deferred income	0	0
Increase in payables	0	0
Increase in payments received in advance	0	0
Net cash flow from operating activities	0	0

22 Financial Risk Management

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

Notes to the Financial Statements (Continued)

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i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June (Current FY)				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
As at 30 June (Previous FY)				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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Notes to the Financial Statements (Continued)

Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from 0. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June (Current FY)				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0
As at 30th June (Previous FY)				
Trade payables	0	0	0	0
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	0	0

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The *Entity* has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The *Entity* has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The *Entity* manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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Notes to the Financial Statements (Continued)

Financial Risk Management

Financial Risk Management

The carrying amount of the *Entity's* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Current FY

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30th June (Current FY)			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Total Financial Assets	0	0	0
Financial Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Total Financial Liabilities	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

Foreign currency sensitivity analysis

Current FY

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
As at 30th June (Current FY)			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Total Financial Assets	0	0	0
Financial Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Total Financial Liabilities	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

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Notes To The Financial Statements (Continued)

Financial Risk Management

The following table demonstrates the effect on the Entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
Current FY			
Euro	10%	0	0
USD	10%	0	0
Previous FY			
Euro	10%	0	0
USD	10%	0	0

b) Interest rate risk

Interest rate risk is the risk that the Entity's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Financial Risk Management

Sensitivity analysis

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of

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Kshs 0 (Current FY: Kshs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0 (Current FY – Kshs 0)

Notes to the Financial Statements (Continued)

Financial Risk Management

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

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Notes to the Financial Statements (Continued)

Financial Risk Management

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June (Current FY)				
Financial Assets				
Quoted Equity Investments	0	0	0	0
Non- Financial Assets				
Investment Property	0	0	0	0
Land And Buildings	0	0	0	0
Total	0	0	0	0
As at 30th June (Previous FY)				
Financial Assets				
Quoted Equity Investments	0	0	0	0
Non- Financial Assets				
Investment Property	0	0	0	0
Land And Buildings	0	0	0	0
Total	0	0	0	0

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv) Capital Risk Management

The objective of the Entity's capital risk management is to safeguard the Entity's ability to continue as a going concern. The Entity capital structure comprises of the following funds:

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Revaluation Reserve	0	0
Retained Earnings	0	0
Capital Reserve	0	0
Total Funds	0	0
Total Borrowings	0	0
Less: Cash and Bank Balances	(0)	(0)
Net Debt/(Excess Cash And Cash Equivalents)	0	0
Gearing	0	0

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

23 Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) 0.
- v) Key management.
- vi) Board of directors.

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of electricity to govt agencies	0	0
Rent income from govt. Agencies	0	0
Water sales to govt. Agencies	0	0
Others (specify) e.g. interest and bank charges	0	0
Total	0	0
B) purchases from related parties		
Purchases of electricity from KPLC	0	0
Purchase of water from govt service providers	0	0
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. Agencies	0	0
Others (specify)	0	0
Total	0	0
b) Grants /transfers from the government		
Grants from national govt	0	0
Grants from county government	0	0
Donations in kind	0	0
Total	0	0

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

c) Expenses incurred on behalf of related party		
Payments of salaries and wages for 0 employees	0	0
Payments for goods and services for 0	0	0
Total		
d) Key management compensation		
Directors' emoluments	0	0
Compensation to key management	0	0
Total	0	0

24 Segment Information

Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an Entity to present segmental information of each geographic region or department to enable users understand the Entity's performance and allocation of resources to different segments

25 Contingent Assets and Contingent Liabilities

Contingent Assets

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Contingent Assets		
Insurance Reimbursements	0	0
Assets Arising from Determination Of Court Cases	0	0
Reimbursable Indemnities and Guarantees	0	0
Receivables From Other Government Entities	0	0
Others (Specify)	0	0
Total	0	0

(Give details)

Contingent Liabilities

Description	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Contingent Liabilities	0	0
Court Case xx against the Entity	0	0
Bank Guarantees in Favour of Subsidiary	0	0
Contingent Liabilities arising from Contracts Including PPPs	0	0
Others (Specify)	0	0
Total	0	0

(Give details)

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

26 Capital Commitments

Capital Commitments	FY 2022-2023	FY 2021-2022
	Kshs	Kshs
Authorised for	0	0
Authorised and Contracted for	0	0
Total	0	0

27 Events after the Reporting Period

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

28 Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of 0. Its ultimate parent is the Government of Kenya.

29 Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Ref. in external audit report	Issue/observations from Auditor	Management comments	REMARKS

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

1	<p>1. Presentation and Disclosure</p> <p>The financial statements submitted for audit were not prepared in accordance with International Public Sector Accounting Standards (IPSAS) –Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB). The statements indicate that they have been prepared in accordance with the International Financial Reporting Standards (IFRS) framework instead of IPSAS (Accrual) as required under Section 22 of the Kakamega County Dairy and Development corporation Act, 2018 which states that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General the accounts of the corporation in respect of that year together with a statement of the income and expenditure of the corporation during that year; and a statement of the assets and liabilities of the corporation on the last day of that financial year.</p> <p>Details on the Corporation management including positions held, responsibilities and board of directors, including their bio data, experience and passport photos for three (3) of them have not been provided as required by the prescribed reporting format. In addition, the report on Corporation performance against predetermined objectives has not been included in the report and financial statements as required.</p> <p>Although the corporate governance statement and management discussion and analysis have been included in the financial statements, they do not give adequate details as per the guidelines provided by the PSASB. Also, the fiduciary oversight arrangements have not been identified, described or explained.</p> <p>A statement of profit or loss and other comprehensive income has been prepared instead of a statement of financial performance.</p> <p>In addition, the significant accounting policies have been replicated as given in the prescribed reporting format without customizing them to the nature and operations of the Corporation. Further, the financial statements and accompanying notes include blank disclosures that do not reveal or support any balances and do not therefore provide any information to the intended users of the financial statements.</p>	<p>The three officers who had not provided the passport size are the County staff whose details are already in their personal files this are- i).Moses Sande-County Attorney ii).Dr. Kelly Nelima-Chief Officer Livestock and fisheries iii).CPA,Amb.JamesOchami -Chief Officer Finance and Economic planning</p> <p>The statement of Corporation performance against predetermined objectives has been included in Chairman’s and Directors statements; however, in subsequent financial statements we shall be reporting separating.</p> <p>Corporate governance statement and management discussion and analysis will be improved on in the subsequent financial statements.</p> <p>The template provided by the PSASB requires the entity to prepare a statement of profit or loss and other comprehensive income as prescribed in the financial statements.</p> <p>The blank spaces have been deleted and proper formatting done.</p>	RESOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

	<p>Disclosures of the projects implemented and the details of inter-entity transfers together with the recordings of the transfers from other government entities have also not been provided.</p> <p>Consequently, the financial statements as presented did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).</p>	<p>Disclosures of the projects implemented will be included in the subsequent financial statements, the details of inter-entity transfers together with the recordings of the transfers from other government entities have been provided in the financial statements on page no 34.</p>	
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
Annual Reports and Financial Statements
For the year ended June 30, 2023.

1	<p>1. Presentation and Disclosure</p> <p>The financial statements submitted for audit were not prepared in accordance with International Public Sector Accounting Standards (IPSAS) –Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB). The statements indicate that they have been prepared in accordance with the International Financial Reporting Standards (IFRS) framework instead of IPSAS (Accrual) as required under Section 22 of the Kakamega County Dairy and Development corporation Act, 2018 which states that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General the accounts of the corporation in respect of that year together with a statement of the income and expenditure of the corporation during that year; and a statement of the assets and liabilities of the corporation on the last day of that financial year.</p> <p>Details on the Corporation management including positions held, responsibilities and board of directors, including their bio data, experience and passport photos for three (3) of them have not been provided as required by the prescribed reporting format. In addition, the report on Corporation performance against predetermined objectives has not been included in the report and financial statements as required.</p> <p>Although the corporate governance statement and management discussion and analysis have been included in the financial statements, they do not give adequate details as per the guidelines provided by the PSASB. Also, the fiduciary oversight arrangements have not been identified, described or explained.</p> <p>A statement of profit or loss and other comprehensive income has been prepared instead of a statement of financial performance.</p> <p>In addition, the significant accounting policies have been replicated as given in the prescribed reporting format without customizing them to the nature and operations of the Corporation. Further, the financial statements and accompanying notes include blank disclosures that do not reveal or support any balances and do not therefore provide any information to the intended users of the financial statements.</p>	<p>The three officers who had not provided the passport size are the County staff whose details are already in their personal files this are- i).Moses Sande-County Attorney ii).Dr. Kelly Nelima-Chief Officer Livestock and fisheries iii).CPA,Amb.JamesOchami -Chief Officer Finance and Economic planning</p> <p>The statement of Corporation performance against predetermined objectives has been included in Chairman’s and Directors statements; however, in subsequent financial statements we shall be reporting separating.</p> <p>Corporate governance statement and management discussion and analysis will be improved on in the subsequent financial statements.</p> <p>The template provided by the PSASB requires the entity to prepare a statement of profit or loss and other comprehensive income as prescribed in the financial statements.</p> <p>The blank spaces have been deleted and proper formatting done.</p>	RESOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

	<p>Disclosures of the projects implemented and the details of inter-entity transfers together with the recordings of the transfers from other government entities have also not been provided.</p> <p>Consequently, the financial statements as presented did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).</p>	<p>Disclosures of the projects implemented will be included in the subsequent financial statements, the details of inter-entity transfers together with the recordings of the transfers from other government entities have been provided in the financial statements on page no 34.</p>	
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

2	<p>2. Transfers from the County Government</p> <p>The statement of financial performance reflect transfers from County Treasury amount of Kshs.59,322,792 for the year ended 30 June 2020 which is indicated in note no.1 to the financial statements as payments by the County on behalf of the entity , while the financial statements of the County Executive of Kakamega for the same period disclose amount transferred to the Corporation of Kshs.40,322,792 resulting to an unexplained variance of Kshs.19,000,000. In addition, all the amount has been recognized as income yet part of it was supposed to be applied towards capital development.</p> <p>Consequently, the completeness and accuracy of the transfers from county government figure of Kshs.59,322,792 for the year ended 30 June 2020 could not be confirmed.</p>	<p>Note no 1 indicates a figure of Ksh 59,322,792 as transfers from treasury to KDDC but not payments made on behalf of the entity.</p> <p>In the financial statements of the County Executive the amount of 19 million had already been recognized in the financial year 2018/2019 since it was disbursed during the closure of the year 2018/2019 June and KDDC received at the start of the year 2019/2020.</p> <p>The amount is recognized as income in the statement of profit and loss account and on the payment side of the profit and loss account it is recognized as a capital expense since it is used on development purposes.</p>	RESOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

3	<p>3. Transfers</p> <p>The statement of financial performance reflects transfers of Kshs.6,500,000 disclosed in note 5 to the financial statements as transfers to the county treasury for the year ended 30 June 2020. Although the amount was transferred from the revenue collection account, the financial statements of the Corporation do not disclose such amount as revenue generated from operations of the entity and no reason has also been provided for the transfer has not been explained. In addition, the financial statements of County Executive of Kakamega have not recorded the transfer as a receipt.</p> <p>Consequently, the accuracy and occurrence of the transfer of Kshs.6,500,000 for the year ended 30 June 2020 cannot be confirmed.</p>	<p>The Ksh 6.5M transferred to County treasury is part of balance c/f from previous financial year of Ksh 5,841,339.00 and also part of Ksh 1,725,842 as receipts from sale of milk. In the County executive financial statements it has been recognized as returned to CRF.</p>	RSOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

4	<p>4. Non-disclosure of Board Remunerations n and Information.</p> <p>The statement of financial performance reflects employee costs amount of Kshs.4,441,811 which include Board member remuneration of Kshs.1,060,000 and chairman remuneration of Kshs.600,000 all totalling Kshs.1,660,000 as disclosed in note 3 to the financial statements. However, the entity has not prepared a policy setting the rates of allowances payable to the Board members and the number of meetings held during the year has not been disclosed. In addition, the minutes of the meetings held together with the attendance register had not been signed and were therefore unreliable.</p> <p>Further, the work plan of the Board showing the activities and meetings towards which the allowances were paid during the year was not availed for audit review contrary to Chapter 1 and 2 of Mwongozo Code for state corporations Section 1.9 and Section 2.5 respectively which require that the board members prepare an annual board work plan and disclose in the financial statements the remuneration of directors, individually and collectively, the salaries and remuneration of the chief executive officer and senior management and a summary of the board evaluation results. Also copies of letters of appointment of the board members who provided services to the entity since November 2019 were not availed for audit review.</p> <p>Consequently, the financial statements do not provide the required information and management therefore breached the law.</p>	<p>The Corporation is in the process of developing its own policies in regard to all issues raised. In the absence of its own policies, the corporation has been applying National government policies in relevant sectors. The approved Board work plan was availed. Refer to attached copy. The corporation has put in place a board register for subsequent meetings.</p> <p>The remuneration of the Corporation's key managementis paid from the County Government Treasury and thus there is no need of disclosure of such information since this is reported on the county consolidated financial statements. The allowance of the chairman is in the work plan and the budget for 2019/2020.</p>	RESOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

5	<p>5. Acquisition of Biological Assets</p> <p>The statement of financial performance reflects acquisition of biological assets (Heifers) figure of Kshs.35,235,473 as disclosed in note 6 to the financial statements but do not provide the details of the animals that were purchased. In addition, charging of purchase of livestock to the statement of financial performance is a misstatement as the livestock form part of the biological assets that are expected to benefit the corporation over a long period of time with possible appreciation in value in line with section 5(a) of the Kakamega County Dairy and Development corporation Act, 2018 which provides that the corporation shall among others, engage in the commercial rearing and breeding of dairy livestock.</p> <p>The Corporation has acquired similar assets previously whose value and whereabouts have not been disclosed or explained.</p> <p>Consequently, the accuracy and validity of the acquisition of assets (heifers) figure oof Kshs.35,235,473 for the year ended 30 June 2020 cannot be confirmed</p>	<p>The biologicals/animals purchased were handed over to qualified beneficiaries as a grant which then ceased to be an asset of the county government thus recorded in the statement of profit and loss account and not in statement of financial position because it becomes a direct benefit to farmers.. The list of beneficiaries was provided.</p>	RESOLVED
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

6	<p>6. Property, Plant and Equipment</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020 as detailed in note 8 to the financial statements and which include land and buildings with a cost of Kshs.34,517,277. The amount of Kshs.34,517,277 was in respect of expenditure incurred by the Corporation on repairs, maintenance, renovation, partitioning of buildings. However, the ownership of the land on which the buildings stand could not be confirmed due to lack of ownership documents.</p> <p>In addition, the Corporation did not maintain an asset register to account for the property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020. Further, the depreciation policy has provided the depreciated rate in years instead of percentage (%) as required.</p> <p>Consequently, the property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020 could not be confirmed.</p>	<p>The land that the Kakamega Dairy Development Corporation is using was acquired by the County Executive and the ownership documents are still in the address of the Kakamega County Government. The Corporation has commenced a process to transfer all its land assets into its ownership.</p> <p>The Corporation is still in the process of developing an asset register and currently we have an inventory list.</p> <p>The depreciation rates have been provided in percentages. Refer to financial statements page 23 where figures have been calculated in percentages.</p>	<p>NOT RESOLVED</p>
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

7	<p>7. Inventory</p> <p>The statement of financial position has not disclosed any inventory balances at 30 June 2020 and no stock sheets were availed to show that there was no balance of the consumables and milk stocks at the Corporation and the smart farms as at 30 June 2020.</p> <p>Consequently, financial statements have not disclosed significant information on the state of execution of the Corporation's activities.</p>	<p>The inventory listing is provided for your review.</p>	<p>NOT RESOLVED</p>
8	<p>8. Cash and Cash Equivalents</p> <p>The statement of financial position reflects cash and cash equivalents balance of Kshs.17,478,178 as at 30 June 2020 comprising cash at bank and cash on hand amounting to Kshs.4,553,660 as disclosed in note 7A of the financial statements. However, the cash on hand balance of Kshs.4,553,660 was not supported by the cashbook and board of survey report as at 30 June 2020</p> <p>Consequently, the accuracy and existence of the cash balance of Kshs.4,553,660 as at 30 June 2020 cannot be confirmed.</p>	<p>The original cash book balance reflected a different figure but after a adjusting cash book the new cash balance reflected is Ksh 4,553,660</p> <p>There was no board of survey report.</p>	<p>NOT RESOLVED</p>

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

9	<p>9. Statement of Changes in Equity</p> <p>The statement is erroneously referred to as statement of changes in net equity as at 30 June 2020 instead of statement of changes in net assets as required by IPSAS.</p> <p>The statement reflects total net assets of Kshs.151,048,634 a balance brought forward of Kshs.90,000,000 and funds received during the year under review of Kshs.61,048,634 and which is equivalent to the total revenue reflected in the statement of financial performance. In addition, these figures appear to have no basis as they cannot be linked to the statement of financial position as at 30 June 2020 and the previous year statement of changes in equity.</p> <p>Consequently, the accuracy of the statement of changes in net assets for the year ended 30 June 2020 cannot be confirmed.</p>	<p>The Kshs.151, 048,634 is the total accumulative receipts for the two years 2018-2019 and 2019-2020 as reflected in the statement of financial performance. The figure of 90M is reflected in the statement of financial position as total receipts for the year 2018-2019, Kshs.61,048,634 is reflected in the statement of financial position as total receipts for the year 2019-2020.</p>	NOT RESOLVED												
10	<p>10. Reserves and Revolving Fund</p> <p>The statement of financial position reflects revolving fund balance of Kshs.29,516,707 and reserves balance of Kshs.34,530,028 as at 30 June 2020. However, the basis or source of these balances have not been explained or supported.</p> <p>Consequently, the accuracy and validity of the two balances as at 30 June 2020 could not be confirmed.</p>	<p>Revolving fund is the net book values of assets brought forward from the year 2018/2019</p> <p>The breakdown of the general reserves is highlighted below which is the opening balances for the year 2019/2020</p> <table border="0"> <tr> <td>KCB</td> <td>Operation</td> <td>Account.....</td> </tr> <tr> <td></td> <td></td> <td>28,688,689.46</td> </tr> <tr> <td>KCB</td> <td>Revenue</td> <td>Account.....</td> </tr> <tr> <td></td> <td></td> <td>5,841,339.00</td> </tr> </table>	KCB	Operation	Account.....			28,688,689.46	KCB	Revenue	Account.....			5,841,339.00	RESOLVED
KCB	Operation	Account.....													
		28,688,689.46													
KCB	Revenue	Account.....													
		5,841,339.00													

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

11	<p>11. Statement of Cash Flows</p> <p>The statement of cash flows for the year ended 30 June 2020 has not been accurately prepared and does not explain the cashflows of the Corporation for the year ended 30 June 2020. The statement reflects cash and cash equivalents as at 1 July 2019 balance of Kshs.34,530,028 while the previous year financial statements reflects a balance of Kshs.25,504,271 to result to a variance of Kshs.9,025,757 which has not been explained or reconciled. The statement also reflects net increase in cash and cash equivalents figure of Kshs.17,478,178 while the calculated figure from the statement shows a decrease of Kshs.17,051,850 to result to a variance of Kshs.34,530,028 which has not been explained or reconciled.</p> <p>Consequently, the accuracy of the statement of cash flows for the year ended 30 June 2020 could not be confirmed.</p>	<p>The anomaly has been noted and corrected.</p>	RESOLVED																			
	<p>Budgetary Control and Performance</p> <p>According to the statement of comparison of budget and actual amounts for the year ended 30 June 2020, the corporation had a revenue budget of Kshs.100,243,800 out of which Kshs.61,048,634 or approximately 61% of the budget was realized. The corporation also had an expenditure of Kshs.78,962,200 but recorded actual expenditure of Kshs.70,095,229 to result to under expenditure of Kshs.8,866,971 or approximately 11% as below:</p>	<p>The uncollected revenue of Ksh39,195,166 is what County treasury failed to remit to the entity. The underutilization resulted to late disbursement of funds from the County Treasury which resulted to under expenditures to the respective line items as observed by the Auditor.</p>	NOT RESOLVED																			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Expenditure Item</th> <th style="width: 15%;">Approved Budget (Kshs)</th> <th style="width: 15%;">Actual Expenditure (Kshs)</th> <th style="width: 35%;">Budget Utilization Difference (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Staff Costs</td> <td style="text-align: right;">3,992,000</td> <td style="text-align: right;">2,781,811</td> <td style="text-align: right;">1,210,189</td> </tr> <tr> <td>General Expenses</td> <td style="text-align: right;">25,900,000</td> <td style="text-align: right;">25,577,945</td> <td style="text-align: right;">322,055</td> </tr> <tr> <td>Transfers</td> <td style="text-align: right;">6,500,000</td> <td style="text-align: right;">6,500,000</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Acquisition of Assets</td> <td style="text-align: right;">42,570,200</td> <td style="text-align: right;">35,235,473</td> <td style="text-align: right;">7,334,727</td> </tr> </tbody> </table>	Expenditure Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Budget Utilization Difference (Kshs)	Staff Costs	3,992,000	2,781,811	1,210,189	General Expenses	25,900,000	25,577,945	322,055	Transfers	6,500,000	6,500,000	-	Acquisition of Assets	42,570,200	35,235,473	7,334,727	
Expenditure Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Budget Utilization Difference (Kshs)																			
Staff Costs	3,992,000	2,781,811	1,210,189																			
General Expenses	25,900,000	25,577,945	322,055																			
Transfers	6,500,000	6,500,000	-																			
Acquisition of Assets	42,570,200	35,235,473	7,334,727																			

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

	Total	78,962,200	70,095,229	8,866,971		
	<p>The Corporation therefore failed to meet its revenue target by Kshs.39,195,166 or approximately 39% of the budgeted amount. In addition, the corporation did not utilize Kshs.8,866,971 or 11% of its budgeted expenditure and no reasons or explanations have been provided for this state of affairs.</p> <p>Failure to realize the targeted revenue and utilize the budgeted funds is an indication that the programs of the Corporation were not implemented as envisaged.</p>					

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Annual Reports and Financial Statements

For the year ended June 30, 2023.

1	<p>1. Expenditure Not Properly Supported During financial year ended 30 June 2020, the Corporation made various payments amounting to Kshs.1,046,100 which were not properly supported by authorization, relevant reports, signed attendance lists, warrants, contract documents and other necessary documentation as detailed below.</p>	The payments are being worked on to make sure all the documentations are attached and certified by authorizing officer NOT RESOLVED																														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 15%;">Payee</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">Amount (Kshs)</th> <th style="width: 45%;">Findings</th> </tr> </thead> <tbody> <tr> <td></td> <td>Jason Michieka</td> <td>Imprest Board Selection Panel</td> <td style="text-align: right;">482,100</td> <td> 1. he minutes and attendance list not signed, not dated and does not indicate the venue. 2. mprest warrant not signed. 3. mprest requested, processed and cash received by the same officer-Jason Michieka. </td> </tr> <tr> <td>29-Aug2019</td> <td>M/s Maduda Enterprises</td> <td>Supply of Polythene Papers</td> <td style="text-align: right;">400,000</td> <td>Contract agreement not availed,together with list of prequalified suppliers.</td> </tr> <tr> <td>9-Oct2019</td> <td>Brian Shivina Paul</td> <td>Imprest</td> <td style="text-align: right;">10,000</td> <td>No Imprest Warrant</td> </tr> <tr> <td>9-Oct2019</td> <td>EverlyneNyongesa</td> <td>Imprest</td> <td style="text-align: right;">50,000</td> <td>No Imprest Warrant</td> </tr> <tr> <td>21-Oct2019</td> <td>RobaiAndaj e</td> <td>Imprest</td> <td style="text-align: right;">94,000</td> <td>No Imprest Warrant</td> </tr> </tbody> </table>			Date	Payee	Details	Amount (Kshs)	Findings		Jason Michieka	Imprest Board Selection Panel	482,100	1. he minutes and attendance list not signed, not dated and does not indicate the venue. 2. mprest warrant not signed. 3. mprest requested, processed and cash received by the same officer-Jason Michieka.	29-Aug2019	M/s Maduda Enterprises	Supply of Polythene Papers	400,000	Contract agreement not availed,together with list of prequalified suppliers.	9-Oct2019	Brian Shivina Paul	Imprest	10,000	No Imprest Warrant	9-Oct2019	EverlyneNyongesa	Imprest	50,000	No Imprest Warrant	21-Oct2019	RobaiAndaj e	Imprest	94,000	No Imprest Warrant
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KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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For the year ended June 30, 2023.

9- Oct2019	JaneroseMat alanga	Imprest	10,000	No Imprest Warrant
Total			1,046,100	
<p>Consequently, the propriety of the expenditure of Kshs.1,046,100 included in general expenses figure of Kshs.23,917,945 for the year 30 June 2020 could not be ascertained</p>				

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For the year ended June 30, 2023.

2	<p>2. Lack of Procurement Plan</p> <p>The corporation did not provide an approved procurement plan detailing among others a brief description of the requirements, estimated values of the requirements, the procurement method and the expected award dates contrary to the provisions of section 53 (2) of the Public Procurement and Asset Disposals Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.</p> <p>Consequently, management breached the law.</p>	<p>Kakamega County Dairy Development Corporation has an approved procurement plan which we had initially availed for Audit in soft copy we have attached the hard copy for your verification.</p>	RESOLVED
1	<p>1. Failure to Develop a Staff Establishment</p> <p>Kakamega County Dairy Development Corporation did not have a staff establishment record or plan to support achievement of goals and objectives in their strategic plan contrary to section B.2.1 of the Public Service Commission Human Resource Policies Manual. Therefore, there are no statistics of the number of staffs required and available for every position and the roles played in the Corporation</p>	<p>KDDC staff establishment is majorly that of employees on secondment from the county human resource and a small component of contractual/casual workers on the farms. Coming up with annual recruitment plans at the beginning of each year has never been the case. However, plans are underway in this endeavour and going forward this will be done. Further KDDC is still at its inception stages as it has been operational for a period not exceeding four years. This therefore calls for continuous process in the implementation of certain crucial policy documents such as establishment records as directed.</p>	RESOLVED

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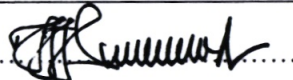
2	<p>2. Failure to Prepare and Submit Quarterly Financial Reports Kakamega County Dairy Development Corporation failed to prepare quarterly reports contrary to Regulation 207 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer of a county corporation shall prepare and submit quarterly financial and non-financial statements in the format gazetted by the Cabinet Secretary within 15 days after the end of each quarter to the County Executive Committee Member responsible for the county corporation with a copy to the County Treasury and the Auditor General. Consequently, management is therefore in breach of the law.</p>	<p>Quarterly financial reports for some of the quarters were prepared and submitted however we had challenges of capacity in personnel, the entity has engaged a qualified accountant to actively prepare and adhere to PFM Act provisions, going forward the entity is doing what is required and a sample of submitted quarterly reports availed.</p>	RESOLVED
3	<p>3. Unauthorized Expenditure During the financial year 2019/2020, the Corporation incurred an expenditure of Kshs.4, 553,660 through imprest. However, the vouchers in respect of surrender of the imprest were not authorised by the accounting officer and the warrants for the issue of the imprests were not signed by the imprest holders. Consequently, the required controls were therefore not in place and/or observed over the use of imprest in running the activities of the Corporation</p>	<p>Going forward the management is working on proper policies and controls to govern the imprest management</p>	RESOLVED

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4	<p>4. Revenue Collection at the Smart Farms</p> <p>Audit verification of the Bukura and Malava (Mbande) smart farms revealed that proper revenue records were not maintained. There were no records showing the amount of revenue collected during the year. There was also no evidence of supervision by responsible officers to ensure revenue was collected and accounted for as envisaged.</p> <p>Consequently, the accuracy of the revenue collected and accounted for during the year under review could not be confirmed.</p>	<p>Initially there has been a challenge in record keeping by the farm managers due do capacity and low supervision but going forward the entity has employed qualified farm managers who are assisting in keeping proper records.</p> <p>Also, the entity has employed a quality assurance officer who supervises the day to day operation of the farm's activities. Going forward the entity is working on the systems to improve the general operations of the farms</p> <p>Adequate internal controls have been instituted. Production and sales of milk as well as revenue collection are being monitored on daily basis.</p> <p>We have put measures to improve milk production hence improve on our revenue targets. Other revenue targets such us heifers raised have not been disclosed. In future such revenues will be disclosed which will improve our target.</p>	RESOLVED
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Dr. Isaac Lubutsi.

C.E.O

Date:.....

28/12/23

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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For the year ended June 30, 2023.

Appendix II: PROJECTS IMPLEMENTED BY THE KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

Projects implemented by the Kakamega County Dairy Development Corporation

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction of perimeter fencing at Matungu farm	CGKK/KDDC/001/20162017	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of perimeter fencing at Malava farm	CGKK/KDDC/QT/04/20162017	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed construction of farm in the box at Matungu farm	CGKK/KDDC/QT/05/20162017	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed of perimeter fencing at Kabras farm	CGKK/KDDC/22/2016-2017	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of 4NO Door toilets at Bukura Fram	CGKK/KDDC/24/2016-2017	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of 4NO Door toilets at Matungu farm	CGKK/KDDC/25/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes

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Construction of hand dug well at Matungu Farm	CGKK/KDDC/28/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of hay ban /silage pit at Matungu farm	CGKK/KDDC/29/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of sentry house at Matungu farm	CGKK/KDDC/33/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Construction of cattle crush at Matungu farm	CGKK/KDDC/35/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
construction of calf pen at Matungu smart farm	CGK/KDDC/37/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Internal fencing at Bukura Farm	CGKK/KDDC/27/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of feed store/paddock/slurry pit and access roads	CGK/KDDC/54/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes

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Construction of sentry house at kabras smart farm	CGKK/KDDC/46/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of sentry house at Bukura	CGKK/KDDC/QT/46/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of access road at Bukura farm	CGKK/KDDC/60/2017/2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of 4NO Door toilets at Kabras Fram	CGKK/KDDC/QT/48/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of farm in the box at Kabras farm	CGKK/KDDC/QT/50/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of hay ban at Kabras	CGKK/KDDC/QT/40/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of calf pen at Kabras farm	CGKK/KDDC/QT/42/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed construction of farm house at Bukura farm	CGKK/KDDC/20/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)

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Proposed construction of farm house at Matungu farm	CGKK/KDDC/21/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed fencing at Shibinga Farm	CGKK/KDDC/22/2017-2018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of cattle crush at Kabras Farm	CGKK/KDDC/QT/44/20172018	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of cooler plant at Matungu farm	CGKK/KDDC/69/2018-2019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of cooler plant at Bukura farm	CGKK/KDDC/68/2018-2019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Fencing of Khwisero FarmPhase i	CGKK/KDDC/QT/70/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of access road and slurry pit at Kabras Farm	CGKK/KDDC/71/2018-2019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Fencing of Khwisero Farm-Phase Ii	CGKK/KDDC/QT/79/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Farm in the box at Khwisero Farm	CGKK/KDDC/QT/81/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Drilling of borehole at Kabras Farm	CGKK/KDDC/QT/83/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of feed store at Kabras Farm	CGKK/KDDC/QT/87/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes

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Water tank steel tower & equipping of borehole at Kabras	CGKK/KDDC/QT/88/20182019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed construction of prefab at Kabras Farm	CGKK/KDDC/97/2018-2019	County gov of kakamega	2Yrs	Committed	Yes	Yes
Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Paddock at Kabras Farm	CGKK/KDDC/006/20192020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of Hay ban at Khwisero farm	CGKK/KDDC/QT/19/20192020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of Prefab and feed store at Khwisero farm	CGK/KDDC/QT/19/20192020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of Sentry house and 4NO.Door toilets at Khwisero farm	CGK/KDDC/QT/21/20192020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Provision of Water at Khwisero Farm	CGK/KDDC/QT/08/20202021	County gov of kakamega	2Yrs	Committed	Yes	Yes
Installation of Electricity at Khwisero farm	CGK/KDDC/QT/09/20202021	County gov of kakamega	2Yrs	Committed	Yes	Yes

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Construction of modern smart farm at Malava	CGK/KDDC/30/2019-2020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Construction of modern smart farm at Malimili	CGK/KDDC/029/2019-2020	County gov of kakamega	2Yrs	Committed	Yes	Yes
Proposed fencing works at Malimili farm	CGK/KDDC/QT/20/20192020	County gov of kakamega	2Yrs	Committed	Yes	Yes

**KAKAMEGA COUNTY DAIRY DEVELOPMENT
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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature of Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	0	Recurrent	0	0	0	0	0	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
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Confirmation of amounts received by Kakamega County Dairy Development Corporation as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 2023				Amount Received (KShs) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	09/11/2022	6,600,000					
	05/12/2022		25,792,769				
	06/03/2023		5,361,386				
	19/05/2023		27,000,000				
Total		6,600,000	58,154,155				

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Wycliffe Wabere Sign [Signature] Date 25/12/23

Appendix V- Inter-Entity Confirmation Letter
Kakamega County Dairy Development Corporation
P.O. Box 36-50100,
Sahajanand Building,
Mumias Road
KAKAMEGA, KENYA

The Kakamega County Dairy Development Corporation wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

**KAKAMEGA COUNTY DAIRY DEVELOPMENT
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Appendix VI: Reporting of Climate Relevant Expenditures

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		

**KAKAMEGA COUNTY DAIRY DEVELOPMENT
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Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Ksh s.)	Comments