

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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Thursday 25/10/2018*

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
VETERINARY SERVICES
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE 2017**



**MINISTRY OF AGRICULTURE, LIVESTOCK & FISHERIES,
STATE DEPARTMENT OF LIVESTOCK,
VETERINARY SERVICES DEVELOPMENT FUND (VSDF)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

ISSUED ON: SEPTEMBER 30, 2017

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

*VETERINARY SERVICES DEVELOPMENT FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30TH 2017*

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II. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The VSDF was created under the Exchequer and Audit Act Cap 412 through Legal Notice No. 109 of May 1996 with the Permanent Secretary in charge of the Ministry of Livestock being the accounting officer. An amount of K£1,000 was appropriated by Parliament and was provided during the 1996/97 Financial year.

(b) Principal Activities

The VSDF is run under the State Department of Livestock at Kabete with a major aim of preventing and controlling animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more than profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

(c) Key Management

The Veterinary Services Development Fund day-to-day management is under the following key organs:

- Principal Secretary;
- Director Veterinary Services
- Fund Manager
- Accountant

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Principal Secretary	Dr. Andrew Tuimur, CBS
2.	Ag. Director Veterinary Services	Dr. Dulu Thomas Daido, MBS
3.	Fund Manager	Dr. Peter Mungathia
4.	Accountant	CPA. Henry Momata

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FOR THE FINANCIAL YEAR ENDED JUNE 30TH 2017*

(e) Veterinary Services Development Fund (VSDF) Headquarters

Private Bag Kangemi 00625
Vet Labs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(f) Veterinary Services Development Fund (VSDF) Contact.

Private Bag Kangemi 00625
Vet Labs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(g) Veterinary Services Development Fund (VSDF) Banker.

Kenya Commercial Bank
Sarit Centre Branch
P.O. Box 14959
Westlands 00800
Nairobi, Kenya

(h) Independent Auditors




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

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

VETERINARY SERVICES DEVELOPMENT FUND
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III. MEMBERS OF THE STEERING COMMITTEE

1.			Director of Administration State Department of Livestock; Ministry of Agriculture, Livestock and Fisheries.
2.		Dr. Thomas Dulu	BVM(UoN), MSc(UoN). Senior Deputy Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock and Fisheries.
3.		Dr. Julia Kinyua	BVM(UoN), MSc(UoN). Deputy Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock and Fisheries.
4.	Dr. Peter Mungathia		BVM(UoN), VSDF (Fund) Manager Assistant Director of Veterinary Services State Department of Livestock; Ministry of Agriculture, Livestock and Fisheries.
5.	Norah Kandie		Member
6.	Dr. Indenje Wanyama		Member
7.	Penina Ndirangu		Member

IV. MANAGEMENT TEAM

1.	Dr. Peter Mungathia	Fund Manager
2.	Dr. Leornida Osoro	Deputy Fund Manager
3.	Mr. Henry M.Momata	Accountant
4.	Mr. David G.Ngugi	Senior Clerical Officer
5.	Mr. Peter M.wachira	Senior Clerical Officer
6.	Miss. Ann W. Gacheru	Senior Clerical Officer
7.	Mr. Daniel Owour	Clerical Officer I
8.	Mr. John Nyaga	Clerical Officer I
9.	Miss. Rose Makau	Senior Support Officer

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V. STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Director's Responsibilities are clearly articulated as per the Legal notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties:-

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as May from time be required.
- If he thinks Fit impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.

The Director's accept responsibility for the Fund'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 Legal notice No. 109 of the Exchequer and audit Act Cap. 412. The director's of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Director further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Sign.....

Dr. Dulu Thomas Daido, MBS

Ag: Director Veterinary Services.

Date..... 28 - 9 - 2017

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON VETERINARY SERVICES DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Veterinary Services Development Fund set out on pages 6 to 16, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and a 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 described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Veterinary Services Development Fund as at 30 June 2017, 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.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Unexplained Disproportionate Increase/Decrease in Expenditure

The audit revealed a disproportionate increase/decrease under three items of expenditure compared to the previous year, as shown below:

<u>Item of expenditure</u>	<u>2016/2017</u>	<u>2015/2016</u>	<u>Increase/(decrease)</u>	<u>%change</u>
	Kshs.	Kshs.	Kshs.	
Employee costs	689,113	16,949,382	(16,260,269)	96%
Depreciation & Amortization	6,162,484	11,065,936	(4,903,452)	44%
General expenses	49,670,221	34,154,623	15,515,598	45%

Report of the Auditor-General on the Financial Statements of Veterinary Services Development Fund for the year ended 30 June 2017

No reasons were given for these unusual movements in the expenditure. In addition, no supporting documentation has been provided for the disproportionate movements.

2. Inaccuracy of the Financial Statements

(i) Variance Between Miscellaneous Receipts and Supporting Schedule

The total revenue of Kshs.47,885,109 for 2016/2017 shown in the statement of financial performance includes several individual receipts totalling Kshs.1,347,392 according to miscellaneous receipts which differs with the corresponding amounts of Kshs.882,150 shown in the supporting schedule.

No reconciliation or explanation has been provided for the difference of Kshs.465,242 between the two sets of records.

(ii) Reserves

The statement of financial position reflects a balance of Kshs.79,192,576 under reserves as at 30 June 2017, which has not been supported by any documentation. The balance also differs with the nil balance shown against reserves in the statement of changes in net assets.

No explanations or reconciliations have been provided for these differences and consequently the accuracy of the reserves balance cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Services Development Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Underperformance of Budget

An analysis of the statement of comparison of budget and actual amounts for the year ended 30 June 2017 shown under Section XI of the financial statements, together with the statement of financial performance shows that although the Fund had an approved and final revenue budget of Kshs.100,000,000, it only to raise a total of Kshs.47,885,109

(about 48%). Similarly, although the Fund had an approved and final expenditure budget of Kshs.100,000,000, it only managed to absorb/utilize a total of Kshs.57,089,898 (about 57%). The underperformance of the budget implies that targets and service delivery were not achieved.

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

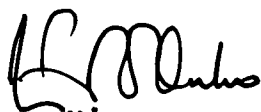
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of providing assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability 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 Fund to cease sustaining 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

10 May 2018

VETERINARY SERVICES DEVELOPMENT FUND
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VII. STATEMENT OF FINANCIAL PERFORMANCE
 For the year ended 30 June 2017

	Note	2016-2017	2015-2016
		Kshs	Kshs
Revenue from exchange transactions			
Rendering of services	3	47,885,109	53,185,046
Total revenue		47,885,109	53,185,046
Expenses			
Employee costs	4	689,113	16,949,382
Depreciation and amortization expense	5	6,162,484	11,065,936
Repairs and maintenance	6	1,449,650	1,505,264
General expenses	7	49,670,221	34,154,623
Total expenses		57,971,468	63,675,205
Surplus/(deficit) for the period		(10,086,359)	(10,490,159)

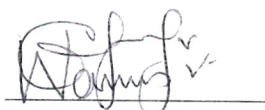
VETERINARY SERVICES DEVELOPMENT FUND
 REPORTS AND FINANCIAL STATEMENTS
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VIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	8	35,889,009	45,093,798
Non-current assets			
Property, plant and equipment	9	33,237,208	28,761,768
Total assets		69,126,217	73,855,566
Liabilities			
Current liabilities			
Non-current liabilities		-	-
Total liabilities		-	-
Net assets		69,126,217	73,855,566
Reserves		79,192,576	84,325,725
Accumulated surplus		(10,086,359)	(10,490,159)
GOK Initial Grant		20,000	20,000
Total net assets and liabilities		69,126,217	73,855,566



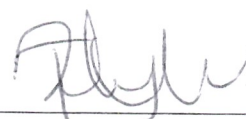
Ag. Director of Veterinary Services
 Dr. Dulu Thomas Daido

Date: 28-9-2017



Head of Finance
 Dr. Indeje Wanyama
 ICPAK Member No.

Date



Principal Secretary
 Dr. Andrew Tuimur, CBS

Date.....

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IX. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2017

	Attributable to the owners of the controlling entity					Total
		Reserves				
	Self insurance reserve	Capital replacement development reserve/Capital Reserve	Revaluation Reserve	Accumulated surplus	Minority interest	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2015	-	-	-	84,345,725	-	84,345,725
Surplus/(deficit) for the period	-	-	-	(10,490,159)	(-)	(5,133,149)
Balance as at 30 JUNE 2016	-	-	-	73,855,566	-	79,212,576
Balance as at 1 July 2016	-	-	-	73,855,566	-	79,212,576
Surplus for the period	-	-	-		-	(10,086,359)
Balance as at 30 JUNE 2017	-	-	-	69,126,217	-	69,126,217

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X. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Rendering of services	3	47,885,109	53,185,046
Total Receipts		47,885,109	53,185,046
Payments			
Compensation of employees	4	689,113	16,949,382
Goods and services	6/7	51,119,872	35,659,887
Total Payments		51,808,985	52,609,269
Net cash flows from operating activities		(3,923,876)	575,777
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(5,280,915)	(6,978,088)
Net cash flows used in investing activities		(5,280,915)	(6,978,088)
Cash flows from financing activities			
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		(9,204,791)	(6,402,311)
Cash and cash equivalents at 1 JULY	8	45,093,800	51,496,111
Cash and cash equivalents at 30 JUNE	8	35,889,009	45,093,800

XI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs
Animal Reproductive services	7,500,000	7,074,900	(425,100.00)
Veterinary Public Health	40,000,000	33,067,827	(6,932,174)
Hides And Skins Leather Quality control	39,000,000	829,5250	(38,337,090.00)
Disease Surveillance ,Risk mgt & control	5,500,000	1,249,350	(4,250,650.00)
Diagnostic Services	3,000,000	767,149	(2,232,851.00)
Veterinary Diagnostic & Efficacy Trial Centres	5,000,000	4,896,358	(103,642.00)
Total income	100,000,000	47,885,109	(52,114,891)
Expenses			
Casual labour	2,465,000	689,113	1,775,887
Communication Supplies and Services	560,000	0	560,000
Domestic Travel and Subsistence and Other Travels	16,101,488	11,191,732	4,909,756
Foreign Travel and Subsistence and Other Transportation	12,515,730	7,351,145	5,164,585
Printing, Advertising and information supply	5,913,880	186,750	5,727,130
Training Expenses (Including Capacity Building)	9,441,000	6,019,739	3,421,261
Hospitality Supplies and Services	1,865,158	135,810	1,729,348
Boards, Committees Conference and Seminars	2,301,726	375,362	1,926,364
Purchase of Specialized Materials & Supplies	9,713,469	10,607,337	-893,868
Purchase of laboratory materials, supplies & small equipment	1,120,000	1,120,000	0
Office and General Supplies and Services	2,716,194	1,313,777	1,402,417
Emergency Disease Outbreaks Response	5,000,000	5,298,100	-298,100
Supplies and accessories for computers and printers	255,300	194,040	61,260
Fuel Oil and Lubricants	10,717,327	2,260,718	8,456,609
Bank Service Commission and Charges	1,000,000	36,432	963,568
Contracted Professional Service	2,500,000	2,625,491	-125,491
Routine Maintenance - Vehicles and Other Transport Equipment	3,748,266	1,394,864	2,353,402
Routine maintenance of other assets	210,000	12,000	198,000
Maintenance of computers, software, networks,	456,000	42,786	413,214
Purchase of vehicles and other transport equipment.	4,500,000	4,502,600	-2,600
Purchase of Computer & Other Office Equipment	2,715,000	778,315	1,936,685
Rehabilitation & Renovation of Plant and Machinery	949,064	298,500	650,564
Purchase of specialized plant and equipment.	2,330,000	0	2,330,000
Total expenditure	100,000,000	57,089,898	42,910,102

XII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented and rounded off to the nearest Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from 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.

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.

b) Budget information

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

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.

f) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

g) 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.

h) Cash and cash equivalents

Cash and cash equivalents comprise of cash held at Kenya Commercial Bank, Sarit Centre Branch Account Number 110 697 2791 of Kshs. 35,889,009 as at 30th June 2017.

i) 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: e.g.

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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.

Useful lives and residual values

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

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

NB: The Depreciation Rates are applicable on a reducing Balance Basis.

Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

k) 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, 2017.

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3. Rendering of Services

Description	2016-2017	2015-2016
	KShs	KShs
Animal Reproductive Services	7,074,900	10,150,886
Veterinary Public Health	33,067,837	28,649,136
Hides And Skins	662,910	708,,272
Disease surveillance ,Risk mgt controls	1,249,350	5,546,501
Diagnostic Services	767,149	556,235
Veterinary diagnostic & Efficacy Trial centres	4,896,358	5,701,296
Veterinary Laboratories	-	286,425
Other Veterinary Services	-	1,584,295
Total revenue from the rendering of services	47,885,109	53,185,046

4. Employee costs

Description	2016/2017	2015/2016
	Shs	Shs
Employee related costs - salaries and wages	689,113	16,949,382
Employee costs	689,113	16,949,382

5. Depreciation and amortization expense

Description	2017	2016
	Shs	Shs
Property, plant and equipment	6,162,484	11,065,936
Total depreciation and amortization	6,162,484	11,065,936

6. Repairs and maintenance

Description	2017	2016
	Shs	Shs
Property	398,370	349,495
Equipment	86,531	216,754
Vehicles	964,749	939,015
Total repairs and maintenance	1,449,650	1,505,264

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7. General expenses

The following are included in general expenses:

Description	2017	2016
	Shs	Shs
Advertising	186,750	69,600
Hospitality Supplies	511,172	364,241
Fuel and oil	2,260,718	4,430,976
Office and General Supplies	6,805,917	3,851,226
Other operating expenses	2,960,422	575,327
Telecommunication	-	165,117
Training	6,019,739	2,837,912
Specialized materials	12,382,625	21,860,224
Travel, motor car, accommodation, subsistence and other allowances	18,542,879	-
Total general expenses	49,670,222	34,154,623

8. Cash and cash equivalents

Description	2017	2016
	Shs	Shs
Bank	35,889,009	45,093,798
Cash-on-hand and in transit	-	-
Total cash and cash equivalents	35,889,009	45,093,798

Detailed analysis of the cash and cash equivalents

8 (a) Banks

Name of the Bank	Bank Account Number	Currency	2017 Kshs	2016 Kshs
Kenya Commercial Bank	110 697 2791	KES	35,889,009	45,093,798
Total			35,889,009	45,093,798

8 (b) Cash on hand and in transits

For the Financial year ended 30th June 2017 and the previous year there were neither Cash on Hand nor in transit.

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9. Property, Plant and Equipment.		Motor Vehicles & Cycles (25%)	Special Plant (12.5%)	Computer & Other Accessories (30%)	Furniture & Fittings (12.5%)	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2015	35,958,500	70,359,436	12,022,016	3,316,202	121,656,154	
Additions	4,347,060	1,966,000	665,028	-	6,978,088	
Disposals	(-)	(-)	(-)	(-)	(-)	
Transfers/adjustments	(-)	(-)	(-)	(-)	(-)	
At 30 June 2016	40,305,560	72,325,436	12,687,044	3,316,202	128,634,242	
Additions	4,502,600	-	778,315	-	5,280,915	
Disposals	(-)	(-)	(-)	(-)	(-)	
Transfer/adjustments	(-)	(-)	(-)	(-)	(-)	
At 30 June 2017	44,808,160	72,325,436	13,465,359	3,316,202	133,915,157	
Depreciation and impairment						
At 1 July 2015	(35,958,500)	(39,022,122)	(11,618,016)	(2,207,901)	(88,806,539)	
Depreciation	(1,086,765)	(4,162,914)	(320,709)	(138,538)	(5,708,926)	
Impairment	(-)	(-)	(-)	(-)	(-)	
At 30 June 2016	(37,045,265)	(43,185,036)	(11,938,725)	(2,346,439)	(94,515,465)	
Depreciation	(1,940,724)	(3,642,550)	(457,990)	(121,220)	(6,162,484)	
Disposals	(-)	(-)	(-)	(-)	(-)	
Impairment	(-)	(-)	(-)	(-)	(-)	
Transfer/adjustment	(-)	(-)	(-)	(-)	(-)	
Total Depreciation As At 30 June 2017	(38,985,989)	(46,827,586)	(12,396,715)	(2,467,659)	(100,677,949)	
Net book values						
At 30 June 2017	5,822,171	25,497,850	1,068,644	848,543	33,237,208	
At 30 June 2016	3,260,295	29,140,400	748,319	969,763	34,118,777	

NB: The Depreciation Rates are applicable on a reducing Balance Basis.

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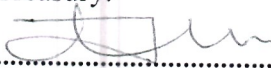
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Stale cheques	Reversal done and F.O17 raised	H.Momata Accountant	Resolved	-
2	Wrong classification of expenditure	Classification was done and explanation given.	H.Momata Accountant	Resolved	-
3	150% Increase in acquisition of specialized materials.	Reason being drought mitigation support.	Dr.Mung'athia-Fund Manager	Resolved	-
4	Differences in NBV of PPE and comparative figures .	The reports and financial statements were revised	H.Momata Accountant	Resolved	-

Guidance Notes:

- i) Use the same reference numbers as contained in the external audit report;
- ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Sign.....

DR. Dulu Thomas Daido MBS
Ag. Director: Veterinary Services

Date.....28-9-2017

Sign.....

DR, Andrew Tuimur, CBS
Accounting Officer.

Date.....28-9-17

