

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY

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ON

**SUPPORTING AGRICULTURAL INPUT AND
OUTPUT MARKETING POLICY AND
REGULATORY REFORMS TO IMPROVE THE
ENABLING BUSINESS ENVIRONMENT FOR
AGRICULTURE IN KENYA (AGRA GRANT
NUMBER 2018 KE 005)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**STATE DEPARTMENT FOR CROP DEVELOPMENT
AND AGRICULTURAL RESEARCH**



**PROJECT NAME: SUPPORTING AGRICULTURAL INPUT AND OUTPUT MARKETING
POLICY AND REGULATORY REFORMS TO IMPROVE THE ENABLING BUSINESS
ENVIRONMENT FOR AGRICULTURE IN KENYA**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE, LIVESTOCK,
FISHERIES AND COOPERATIVES**

PROJECT GRANT/CREDIT NUMBER: 2018 KE 005

ANNUAL REPORT AND FINANCIAL STATEMENTS

(REVISED)

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

***Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

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***Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
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1. Project Information and Overall Performance

1.1 Name and registered office

Name The project's official name is Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya,

Objective

The key objectives of the project are,

1. Strengthening policy and regulatory environment for development and growth of agricultural input systems technology
2. Improve on enabling environment for the expanded access to output markets
3. Build capacity of State Department for Crop Development and Agricultural Research, legislators and private sector to continuously review and reform policies and regulations

Address

The project headquarters offices are in Nairobi, Nairobi County, Kenya.

The address of its registered office is: Kilimo House, Cathedral Road, Nairobi.

Contacts: The following are the project contacts

P.O. Box: 30028 - 00100 Nairobi

Telephone: (254) 711 170 726

E-mail: info@kilimo.go.ke

Website: www.kilimo.go.ke

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Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The project start date is 1 st June, 2019
Project End Date:	The project end date is 31 st December, 2022
Project Manager:	The project manager is Mr. David Ombalo
Project Sponsor:	The project sponsor is Alliance for a Green Revolution in Africa (AGRA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Crop Development and Agricultural Research.
Project number	2018 KE 005
Strategic goals of the project	The strategic goal of the project is as follows: Improve the business enabling environment for investing in local and international agribusiness that sell inputs and buy outputs from smallholder farmers in order to strengthen systems for fertilizers, seeds, agricultural machinery and irrigation, agricultural crop insurance and agricultural output marketing and improve farmers' yields, profitability and incomes.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) The draft Plant Protection Bill and 3 sets of Regulations developed and taken through the consultative, adoption and approval process. (ii) The draft Fertilizers and Animal Foodstuff (Fertilizers) Regulations, 2021 developed and taken through the consultative,

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	<p>adoption and approval process</p> <p>(iii) The Warehousing Receipt Systems Act assented into Law. Warehousing Receipts Systems Regulations gazetted and legal notice in operational.</p> <p>(iv) Agricultural Crop Insurance Policy developed and ready for submission to cabinet for approval.</p> <p>(v) The draft National Agricultural Mechanization Policy 2021 and National Agricultural Mechanization Bill developed and taken through the consultative, adoption and approval process.</p> <p>(vi) National Irrigation Policy, National Irrigation Act approved and under implementation; the National Irrigation Sector Strategy finalized and due for publication.</p>
<p>Other important background information of the project</p>	<p>The project is focused on improving agricultural inputs and outputs markets and contributing to achieving 100% food and nutrition security for all Kenyans outlined in the Agricultural Sector Transformation and Growth Strategy (ASTGS) and the Big Four agenda.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Identify and prioritize existing and new draft policies, statutes, Bills and regulations that need review to address bottlenecks to improving the enabling business environment for agriculture in Kenya. These include review of provisions to harmonise regulatory roles among ministries, departments and agencies; and to articulate measures needed to implement policy and regulatory reforms.</p> <p>(ii) Use systematic and methodological approaches to provide the evidence base for the Ministry's consideration of the proposed reforms options, through use of existing internal</p>

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	<p>expertise or outsourced expertise where necessary.</p> <p>(iii) Build the capacity of policy makers and decision makers through learning by using to continuously review and reform policies and regulations that unintentionally limit private sector investments.</p> <p>(iv) Build the capacity of private sector partners in inputting in policy process and supporting speedy adoption of policy documents through improved and structured advocacy.</p>
Project duration	The project started on 1st June 2019 and is expected to run until 31 st December, 2022.

Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project Annual Report and Financial Statements for the financial year ended June 30, 2022

Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) NCBA..... Account No. 8518320012
- (ii) Central Bank of Kenya..... Account No.10004269907

1.5 Auditors

Independent Auditors

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

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
1. Lucy Njenga	Director of Agricultural Policy, Research and Regulations	Technical head of Directorate of Agriculture Policy	Oversight on Programme implementation
2. David Ombalo	Principal Agriculture Officer	Technical competence in development of Policy documents, Bills, Regulations and strategies	Project implementation Coordinator

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3.	Peter Owoko	Assistant Director of Agriculture	Technical Competence in development of Policy documents, Bills, Regulations and strategies	Project Team Member
4.	Evelyne Heyi	Principal Agriculture Officer	Technical Competence in development of Policy documents, Bills, Regulations and strategies.	M & E Officer
5.	Kennedy Anahinga	Principal Agriculture Officer	Technical Competence in development of Policy documents, Bills, Regulations and strategies.	Project Team Member
6.	Stella Muindi	Senior Accountant	Public Accounts	Senior Accountant
7.	Irene K. Ndonga	Principal Accountant	Public Accounts	Project Accountant
8.	Catherine Mutuku	Secretary/Administrative Services	Administrative services	Component Leader
9.	Hellen Mwarey	Manager, Phytosanitary Services-KEPHIS	Coordination of component activities	Component Leader- Plant Protection Bill and Regulations
10.	Dixon Korir	Principal Agriculture Officer	Coordination of component activities	Component Leader- Fertilizer Regulations
11.	Eileen Bureza	Principal Agriculture Officer	Coordination of component activities	Component Leader- Agriculture Insurance
12.	Eng, Musa Sang	Agricultural engineer	Coordination of	Component Leader-

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			component activities	Mechanization Policy and Bills
13.	Seline Bonyo	Principal Agriculture Officer	Coordination of component activities	Component Leader WRS Regulations and Agriculture Mechanization Policy
14.	Kani Nguma	Irrigation Officer	Coordination of component activities	Component Leader-Irrigation Bill, Regulations and Irrigation Strategy

1.7 Funding summary

The Project is for duration of 3 years from 2019 to 2022 with an approved budget of US\$ 1,498,755 equivalent to Kshs.149,875,500.00 as highlighted in the table below:

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya Project
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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency USD	Kshs	Donor currency USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Grant						
Alliance for Green Revolution in Africa (AGRA)	1,498,756	149,875,500	1,430,756	157,272,045	68,000	7,480,000
Total	1,498,756	149,875,500	1,430,756	157,272,045	68,000	7,480,000

Note:

- 1) The undrawn balance of USD 68,000 was withheld by the Donor to pay for consultancy services in support of the Agriculture Transformation Office (ATO) in line with Addendum 1 to the Grant Agreement.
- 2) The difference between the donor commitment of Kshs.149,875,500 and the amount received to date of Kshs.157,272,045.00 has been caused by exchange rate fluctuation.

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)		Unutilised balance to date (30 th June 2022)	
	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>	<i>USD</i>	<i>Kshs</i>
	(A)	(A')	(B')	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Alliance for Green Revolution in Africa (AGRA)	1,430,756	157,272,045	1,316,254	144,676,823	114,502	12,595,222
Total	1,430,756	157,272,045	1,316,254	144,676,823	114,502	12,595,222

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts for current year and for cumulative to-date, as detailed below:

Budget Performance

Year	Budgeted figure	Actual receipts	Actual Expenditure	Variances between budgeted and receipts	Variances between budgeted and Expenditure
2019/2020	0.00	31,262,160	8,189,489	0%	0%
2020/2021	63,000,000	62,252,944	84,506,902	99%	134%
2021/2022	102,400,664	64,533,307	53,124,902	63%	52%
Totals	165,400,664	158,048,411	145,821,293	96%	88%

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ii) Physical progress based on outputs, outcomes, and impacts since project commencement,

Goal: Goal: Catalyze and Sustain an Inclusive Agricultural Transformation in Africa to increase incomes and improve food security

Objective: Objective 4: Strengthened continental, regional and government multi-sectoral coordination, and mutual accountability in the agricultural sector

Primary Outcome: Outcome 8: Strengthened national and regional level agriculture sector system functioning

Intermediate Outcome: IO8.1: Improved planning, coordination, execution and performance of government agriculture programs

Output: Countries with multi-stakeholder coordination body, Agriculture Sector Group and a Donor working Group

Objective: Cross-cutting outcomes

Primary Outcome: Outcome 9: Strengthened regional and national agricultural enabling policy environment

Intermediate Outcome: IO9.1: Improved regional and national level agricultural regulatory environment

Output: Policies that impact the agriculture sector identified as needing reforms/needing to be in place

Intermediate Outcome: IO9.2: Strengthened capacity of regional and national policy and regulatory focus institutions

Output: Policy briefs developed

Output: Participants in policy advocacy convenings and roundtables

Primary Outcome: Outcome 12: Strengthened capacity for farmers and other focus agricultural value chain actors.

Intermediate Outcome: IO12.1: Increased technical capacity and access to agricultural information for farmers and other agricultural value chain actors.

Output: Individuals who have received AGRA supported short-term agricultural sector training

iii) Comment on value-for-money achievements,

The policy reform process that requires public participation of various stakeholders at both the Inter-Governmental (national-County levels), County, Public-private sector and Parliamentary Committee levels was done concurrently where practicable realizing value-for-money in the policy formulation and development processes.

Out of the six policy reform areas targeted under the programme, all the policy reform documents, except the draft Fertilizer and Animal Foodstuffs Regulations, have been progressed

Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project Annual Report and Financial Statements for the financial year ended June 30, 2022

up to the level of endorsement by the Ministry top Management. The Warehouse Receipt System Act No. 8 of 2019 is now law while and the Warehouse Receipt System Regulations (L. N. No 3. of 2021; <https://wrsc.go.ke/resources/legislation/22-the-warehouse-receipt-system-regulations-2021>) have since been gazetted.

iv) Programme absorption rate

The programme absorption rate for the year 2019/2020 was at 26.20% for year 2020/2021 was at 99.60% and for the year 2021/22 was 52%.

v) List the implementation challenges and recommended way forward.

- 1) Delays in commencement of the project at the beginning of the project period occasioned by the COVID-19 pandemic.
- 2) Delays in approval of the finalized draft policy reform documents occasioned by delayed approvals at Ministerial, NDITC, NDCCC, electioneering period and Cabinet approvals.

The Ministry requested for an adjustment to the Grant Agreement to allow for new timelines for delivery of planned outputs and was granted a No-Cost-Extension (NCE) up to December 2022.

1.9 Summary of Project Compliance:

The project had no compliance issues perceived or otherwise

2. Statement of Performance against Project's Predetermined Objectives

Introduction

- a) Plan and coordinate review and updating of Seeds and Plant Varieties (Seeds) Regulations, 2013 to operationalize amendments to the Seeds and Plant Varieties Act, CAP 326 (Revised Edition 2012) to bring it in line with changes in technologies, organization and behaviour of participants in the industry (on-going authorization of private seed inspectors and laboratories, authorization for private seed inspectors and analysts to carry out specific NPT services, use of ICT to combat fake seeds, seed labels, change from a monopolistic parastatal to a competitive market organization (certificate, access to early generation seed), MSV, MLND, climate change needing tolerant varieties)
- b) Lead and plan the repeal of the Fertilizer and Animal Foodstuffs Act (Cap 345), 1985 and Kenya Standards (KS 2527:2014) – Urea phosphate fertilizer – Specification, 2014; and develop,

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validate and approval of new regulations to implement the Fertilizers and Animal Foodstuff (Amendment) Act No. 20 of 2015.

- c) Facilitate Warehousing Receipt Systems reform through final stages of legislation, implementation through making of regulations to operationalize the Act and capacity building for the staff of the WRS Council.
- d) Plan and coordinate driving the Agricultural Crop Insurance Policy and Law – through the remaining administrative and legislative processes and stages of government decision-making and approval and putting in place regulations and institutional arrangements for implementation.
- e) Plan and coordinate the development, validation approval, legislation and implementation of a legal framework to operationalize the National Agricultural Mechanization Policy 2017.
- f) Drive the National Irrigation Policy and National Irrigation Bill through final stages of legislation and implementation through making of regulations to operationalize the Act.

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

**Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya Project
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Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya	<p>The project is be organized under the following 3 objectives;</p> <p>1. Strengthening policy and regulatory environment for growth and development of agricultural input systems technology (fertilizer, seeds, agricultural machinery and irrigation)</p>	<p>Strengthened regional and national level agricultural enabling policy environment.</p> <p>Intermediate outcome 9.1 Improved national level agricultural regulatory environment.</p> <p>Intermediate outcome 9.2 Strengthened capacity of national policy and regulatory focus institutions.</p>	<p>(1) The Plant Protection Act, Cap 324 and regulations on export/import of agricultural produce and products reviewed, updated and a cost implementation plan developed</p>	<p>In FY 21/22 The draft Plant Protection Bill 2022 and three (3) sets of regulations:</p> <p>a) Plant Protection (General) Regulations,</p> <p>b) Plant Protection (Import and Export) regulations and the Plant</p> <p>c) Protection (Biological Articles and Control Agents) Regulations developed.</p> <p>The Bill was validated by a National Stakeholders workshop, Presented to MoALF&C Senior management, KEPHIS Board, NDTIC and is currently with the</p>

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				Attorney general undergoing legal drafting
			(2) Regulations developed, drafted, validated and implemented to enforce the Fertilizers and Animal Foodstuff (Amendment) Act No. 20 of 2015	Draft Fertilizers and Animal Foodstuff (Fertilizers) Regulations developed and validated
			(3) National Agricultural Mechanization Policy and Bill approved and legislated, and legal framework developed, drafted, validated, approved, enacted and implemented to operationalize the Policy and Bill after enactment	National Agricultural Mechanization Policy draft has undergone review
			(4) (a) National Irrigation Policy and National Irrigation Bill approved and legislated, and legal framework developed, drafted, validated, approved, enacted and implemented to operationalize the Policy and Bill after	National Irrigation Sector Strategy finalized, approved by Cs irrigation and is at Government Printers for typesetting publication

**Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022**

				enactment. (b) National Irrigation Sector Strategy	
		2. Improving the enabling environment for the expanded access to output markets (agricultural produce SPS)	Strengthened regional and national level agricultural enabling policy environment. Intermediate outcome 9.2 Strengthened capacity of national policy and regulatory focus institutions	(5) Agricultural Crop Insurance Policy approved, legislation reviewed and regulations developed, drafted, validated, developed and implemented to operationalize the policy	Draft Crop Insurance Policy finalized and presented to NDITC
				(6) (a) Warehousing Receipt Systems Act regulations developed, drafted, validated, developed and implemented to enforce the Act (b) Agriculture marketing strategy (AMS) finalized and ready for publication	Warehousing Receipt Systems Regulations finalized and ready for submission to the Office of the AG Agriculture marketing strategy (AMS) finalized and ready for publication
				Private sector capacity built on their role in collaboration, partnerships and advocacy	

Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project Annual Report and Financial Statements for the financial year ended June 30, 2022

	<p>3. Building capacity of State Department for Crop Development and Agricultural Research personnel, legislators and private sector to continuously review and reform policies and regulation</p>	<p>Outcome 13: Strengthened public and private partnerships in agriculture. Intermediate outcome 13.2 Increased engagement and coordination of agricultural public and private sector partners</p>	<p>Ministries, Departments and Agencies capacity built on structured policy and legal framework development and review of processes. Policy decision makers and experts capacity built on use of policy quality frameworks.</p>	<p>Learning by doing for Component leaders and policy drafting team members A total of 23 Policy experts trained and graduated on a 7-week structured agricultural policy formulation and legal drafting</p>
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3. Environmental and Sustainability reporting

The Ministry's environmental focus is guided by the Kenya Climate-Smart Agriculture Strategy whose focus is to ensure the promotion and mainstreaming of environmentally friendly policy interventions. The Ministry has continued to limit footprints through promotion of e-communication such as e-mails, circulation reporting on-line and holding online meetings.

1. Sustainability strategy and profile

The learning by doing and the building of internal capacity for policy review, development of Bills and draft Regulations will ensure that there is internal capacity to sustain development of identified sector policies, Bills and regulations

2. Employee welfare

The Ministry has in place HRM and HRD policies that require gender parity in employment, workplan activity implementation trainings, etc.

3. Market Place Practices

a) Responsible competition practice.

The project in its work with various stakeholders has purposely sought out and ensured inclusion of various stake-holding interests in policy dialogue

b) Responsible Supply chain and supplier relations-

The procurement of services under the project are undertaken competitively and guided with the provisions of the public procurement and asset disposal Act

c) Responsible marketing and advertisement-

The project did undertake advertisement to the public to submit written comments and memoranda on draft plant protection regulations through the State Department for Broadcasting and Telecommunication, a government advertising agency.

d) Product stewardship-

All stakeholders including consumer organizations are given opportunity to give feedback and their take on the impact of policy reform proposals; In addition, all regulatory instruments are subjected to Regulatory Impact Assessments to establish their economic, social and legal impact on the public.

4. Community Engagements

The project engaged the community through the county stakeholders' consultative workshops to get their inputs on the various draft bills and regulations being formulated by the project.

Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project Annual Report and Financial Statements for the financial year ended June 30, 2022

4. Statement of Project Management responsibilities

The Principal Secretary for the State Department for Crop Development and Agricultural Research (SDCD&AR) in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MoALF&C) the Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangement 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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary **SDCD&AR in the MoALF&C** the **Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the **SDCD&AR in MoALF&C** and the **Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. The *Principal Secretary* for **SDCD&AR in the MoALF&C** the **Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in**


Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project Annual Report and Financial Statements for the financial year ended June 30, 2022


Kenya further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Principal Secretary for the **SDCD&AR in the MoALF&C the Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the **State Department for Crop Development and Agricultural Research in the Ministry of Agriculture Livestock Fisheries and Cooperatives, the Project Coordinator for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya** on 26/10/2022 2022 and signed by:

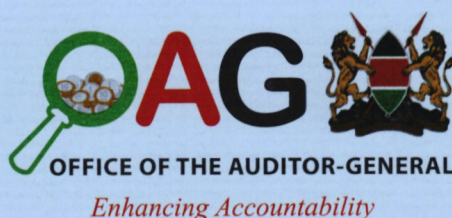

.....
Dr. F. O. Owino(PhD), CBS
Principal Secretary


.....
David O. Ombalo
Project Coordinator


.....
CPA Irene K. Ndonga
Project Accountant
ICPAK Member No: 10894

REPUBLIC OF KENYA

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SUPPORTING AGRICULTURAL INPUT AND OUTPUT MARKETING POLICY AND REGULATORY REFORMS TO IMPROVE THE ENABLING BUSINESS ENVIRONMENT FOR AGRICULTURE IN KENYA (AGRA GRANT NUMBER 2018 KE 005) FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

PREAMBLE

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 government achieves value for money and that such funds are applied for 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 control, 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

Opinion

I have audited the accompanying financial statements of Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya (AGRA Grant Number 2018 KE 005) set out on pages 1 to 21, which comprise the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparative 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, the financial statements present fairly, in all material respects, the financial position of Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya (AGRA Grant Number 2018 KE 005) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Grant Agreement AGRA Grant Number 2018 KE 005 dated 26 August, 2019 between the Alliance for a Green Revolution in Africa (AGRA) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya (AGRA Grant Number 2018 KE 005) 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 opinion.

Key Audit Matters

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

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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Report of the Auditor-General on Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya (AGRA Grant Number 2018 KE 005) for the year ended 30 June, 2022 - State Department for Crop Development and Agricultural Research

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the 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 Internal Audit Review

As previously reported, it was noted that there was no internal audit review of the Project's activities contrary to Section 73(3)(b) of the Public Finance Management Act, 2012 which require that the Internal Auditor shall conduct internal auditing which includes risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the entity.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related

to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Project or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Project'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 Project to cease 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 November, 2022


**Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022**


6. Statement of Receipts and Payments for the year ended 30th June 2022.

	No te	Receipts and payments controlled by the entity	Paym ents made by third partie s	Total	Receipts and payment controlled by the entity	Paymen ts made by third parties	Total	Cumulative to-date (From inception)
		2021-2022			2020-2021			
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Proceeds from domestic and foreign grants	1	64,288,867	0.00	64,288,867	61,788,150	0.00	61,788,150	157,272,045
Miscellaneous receipts	2	244,440	0.00	244,440	464,794	0.00	464,794.00	776,366
Total receipts		64,533,307	0.00	64,533,307	62,252,944	0.00	62,252,944	158,048,411
Payments								
Purchase of goods and services	3	53,124,902	0.00	53,124,902	83,731,902	0.00	83,731,902	145,046,293
Acquisition of non-financial assets	4	0.00	0.00	0.00	775,000	0.00	775,000	775,000
Total payments		53,124,902	0.00	53,124,902	84,506,902	0.00	84,506,902	145,821,293
Surplus/ (deficit)		11,408,405	0.00	11,408,405	(22,253,958)	0.00	(22,253,958)	12,227,118

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The Financial Statements were approved on 26/10/2022 and signed by:


.....
Dr. F. O. Owino(PhD), CBS
Principal Secretary


.....
David O. Ombalo
Project Coordinator


.....
CPA Irene K. Ndonga
Project Accountant
ICPAK Member No: 10894

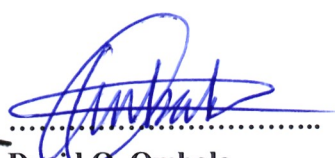
*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*


7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	5	12,227,118	818,713
Cash Balances	5	0.00	0.00
Total Cash and Cash equivalents		12,227,118	818,713
Total Financial Assets		12,227,118	818,713
Net Assets		12,227,118	818,713
Represented By			
Fund Balance B/fwd.	6	818,713	23,072,671
Surplus/(Deficit) for the Year		11,408,405	(22,253,956)
Net Financial Position		12,227,118	818,713

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2022 and signed by:


.....
Dr. F. O. Owino(PhD), CBS
Principal Secretary


.....
David O. Ombalo
Project Coordinator


.....
CPA Irene K. Ndonga
Project Accountant
ICPAK Member No: 10894

8. Statement of Cashflow for the year ended 30th June 2022


Description	Notes	2021-2022	2020-2021
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*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

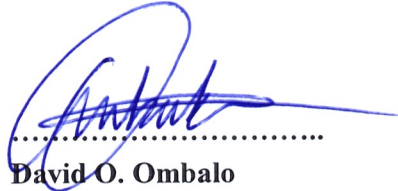
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Proceeds from domestic and foreign grants	1	64,288,867	61,788,150
Miscellaneous receipts	2	244,440	464,794
Total receipts		64,533,307	62,252,944
Payments			
Purchase of goods and services	3	53,124,902	83,731,902
Total Payments		53,124,902	83,731,902
Adjustments during the year			
Prior year adjustments		0.00	0.00
Decrease/(increase) in accounts receivable		0.00	0.00
Increase/(decrease) in accounts payable:		0.00	0.00
Net cash flow from operating activities		11,408,405	(21,478,958)
Cashflow from investing activities			
Acquisition of non-financial assets	4	0.00	775,000.00
Net cash flows from investing activities		0.00	775,000.00
Cash flow from financing activities			
Proceeds from foreign borrowings		0.00	0.00
Net cash flow from financing activities		0.00	0.00
Net increase in cash and cash equivalents		11,408,405	22,253,958
Cash and cash equivalent at beginning of the year	5	818,713	23,072,671
Cash and cash equivalent at end of the year		12,227,118	818,713

***Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to
improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022***

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26/10/ 2022 and signed by:



Dr. F. O. Owino(PhD), CBS
Principal Secretary



David O. Ombalo
Project Coordinator



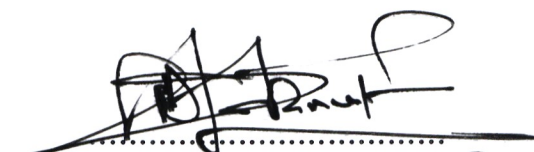
CPA Irene K. Ndonga
Project Accountant
ICPAK Member No: 10894

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*


9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from domestic and foreign grants	102,400,664	0.00	102,400,664	64,288,867	38,111,797	63%
Miscellaneous receipts	0.00	0.00	0.00	244,440	244,440	0.00
Total Receipts	102,400,664	0.00	102,400,664	64,533,307	37,867,357	63%
Payments						
Purchase of goods and services	102,400,664	0.00	102,400,664	53,124,902	49,275,762	52%
Total Payments	102,400,664	0.00	102,400,664	53,124,902	49,275,762	52%
Surplus	0.00	0.00	0.00	11,408,405	0.00	0.00

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.


.....
Dr. F. O. Owino(PhD), CBS
Principal Secretary


.....
David O. Ombalo
Project Coordinator


.....
CPA Irene K. Ndonga
Project Accountant
ICPAK Member No: 10894

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project under the State Department for Crop Development and Agricultural Research, as required by Section 81 of the PFM Act, 2012.

10.3 Reporting currency

reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

Significant Accounting Policies (Continued)

iii) **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time associated cash is received.

iv) **Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) **Proceeds from borrowing**

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) **Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

10.5 Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) **Compensation to employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Significant Accounting Policies (Continued)

ii) **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

Significant Accounting Policies (Continued)

10.7 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.

10.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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.

There were no contingent liabilities in the year.

10.11 Contingent Assets

The project 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 project* 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.

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

10.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in annex 1 to these financial statements*.

10.14 Third party payments

Excluded in the receipts and payments, are payments made on its behalf by third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are not disclosed in the payment to third parties' column in the statement of receipts and payments.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

Significant Accounting Policies (Continued)

10.16 Comparative figures

The comparative figures are still the same

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

There were no prior year(s) adjustments

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

11. Notes to the Financial Statement

1. Proceeds from Domestic and Foreign Grants

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						2021-2022	2020-2021
						Kshs	Kshs
Alliance for Green Revolution in Africa (AGRA)	12.08.2021	42,688,348	0.00	0.00	0.00	42,688,348	0.00
Alliance for Green Revolution in Africa (AGRA)	28.04.2022	21,600,519	0.00	0.00	0.00	21,600,519	0.00
Total		64,288,867	0.00	0.00	0.00	64,288,867	61,788,150

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

1. Miscellaneous receipts

	2021-2022			2020/2021	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest Income	241,940	0.00	241,940	459,632	768,704
Over surrendered Imprest	2,500	0.00	2,500	5,162	7,662
Total	244,440		244,440	464,794	776,366

Note

i. The project operates a commercial bank account which earns interest income on monthly basis depending on the balance held.

ii. Ksh.2,500.00 was an excess of cash banked by an officer who on 16th July, 2022 banked Ksh.171,855.00 instead of Ksh.169,355.00. This amount of Ksh.2,500.00 will be refunded in the financial year 2022/2023.

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

	2021/2022			2020/2021	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	0.00	0.00	0.00	0.00	203,400
Communication, supplies and services	0.00	0.00	0.00	561,928	1,051,928
Domestic travel and subsistence	40,015,780	0.00	40,015,780	55,513,256	102,656,136
Printing, advertising, and information supplies	542,715	0.00	542,715	966,572	1,509,287
Training payments	00.0	0.00	0.00	22,047,805	22,047,805
Hospitality supplies and services	2,746,600	0.00	2,746,600	3,001,480	5,748,080
Bank Charges	112,724	0.00	112,724	220,125	341,838
Other operating payments	9,109,500	0.00	9,109,500	840,000	10,309,500
Fuel	499,733	0.00	499,733	580,736	1,080,469
Routine maintenance – other assets	97,850	0.00	97,850	0.00	97,850
Total	53,124,902	0.00	53,124,902	83,731,902	145,046,293

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

3. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2021-2022			2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of household furniture & institutional equipment	0.00	0.00	0.00	775,000	775,000
Total	0.00	0.00	0.00	775,000	775,000

[The project had procured laptops for the MIRA team]

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
Annual Report and Financial Statements for the financial year ended June 30, 2022*

Notes to the Financial Statements (Continued)

4. Cash and Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank Balances	12,227,118	818,713
Cash Balances	0.00	0.00
Total	<u>12,227,118</u>	<u>818,713</u>

The Project has **one** project account spread within the project implementation area and **one** foreign currency designated account managed by the National Treasury as listed below:

5. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No. 1000426907]	0.00	0.00
Total Foreign Currency balances	<u>0.00</u>	<u>0.00</u>
<u>Local Currency Accounts</u>		
NCBA BANK [A/c No. 8518320012]	12,227,118	818,713
Total local currency balances	12,227,118	818,713
Total bank account balances	<u>12,227,118</u>	<u>818,713</u>

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Notes to the Financial Statements (Continued)

Special Deposit Accounts

The project does not maintain a Special Deposit Account)

5. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Fund Balances brought forward	818,713	23,072,671
Total	818,713	23,072,671

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12. Prior Year Auditor-General's Recommendations

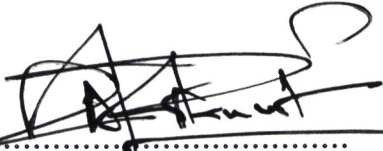
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the Statement of Comparative Budget and Actual Amounts	The statement of comparative budget and actual amounts will be restated while preparing the financial statement for 2021/2022.	Not Resolved	Waiting decision PAC's
2.	Use of Funds on Non-Project Related Expenditure	There was need for installation of internet connectivity. This was necessitated by the wide use of online meetings during the Covid-19 pandemic period.	Not Resolved	Waiting decision PAC's
3.	Under-funding of the Project Activities	The National Treasury released USD 555,000.00 to the project's bank account on resulting in a shortfall of USD 22,043.00. However,	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		the balance of USD 22,043.00 was included in the subsequent exchequer release of USD 393,296 (Ksh. 42,688,347.80)		
4	Inadequate Internal Controls Over Fuel Purchased and Drawn	A proper fuel register was drawn and reconciliation between the supplier's statement and the project management's statements was also been done.	Not Resolved	Waiting PAC's decision
5	Lack of Internal Audit Review	Internal Audit Committee Secretary acknowledged that the Unit had not included the project for review.	Not Resolved	Waiting PAC's decision

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		However, the Unit planned to include a review of the project's activities in the subsequent work plan.		


.....
Dr. F. O. Owino(PhD), CBS
Principal Secretary


.....
David O. Ombalo
Project Coordinator

13. Annexes

Annex 1: Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign grants	102400,664	64,288.867	38,111,797	63%	37%
Miscellaneous receipts		244,440	0.00	100%	
Total Receipts	102,400,664	64,533,307	37,867357	63%	37%
Payments					
Purchase of goods and services	102,400,664	53,124,902	49,275,762	52%	48%
Total payments	102,400,664	53,124,902	49,275,762	52%	48%

Budget Performance

The Initial Project agreement was signed 26th November 2018 provided for the Project to run for three years. Due to delays occasioned by processing of the Agreement by the Donor, MoALF&C and the National Treasury: its timely inclusion in the budget cycle development and the COVID 19 Pandemic, the Grant Agreement was revised twice. In reference to the Project Agreement signed on 1st November 2019 which superseded and extinguished the previous agreements dated 26th November 2018 and 29th May 2019 on account of delays in start of project activity implementation the project period was revised to 2 and ½ years.

Due to the above delays, the project's budget was loaded in the following two consecutive financial years, i.e 2020/2021 and 2021/2022 as per the tabulation done here below;

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Year	Budgeted figure	Actual receipts	Actual Expenditure	Variances between budgeted and receipts	Variances between budgeted and Expenditure
2019/2020	0.00	31,262,160	8,189,489	0%	0%
2020/2021	63,000,000	62,252,944	84,506,902	99%	134%
2021/2022	102,400,664	64,533,307	53,124,902	63%	37%
Totals	165,400,664	158,048,411	145,821,293	96%	4%

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Annex 2: Reconciliation of inter-entity transfers

Project Name:		Supporting Agricultural Input and Output Marketing Policy and Reforms to Improve the Enabling Business Environment for Agriculture in Kenya		
Break down of transfers from the State Department for State department for Crop Development and Agricultural Resaerch				
a	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	
		Total	0.00	
B	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	
		Total	0.00	
C	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			0.00	
			0.00	
		Total	0.00	
		Total (A+B+C)	0.00	

The Project has no Counterpart Funding from the State Department for Agricultural Research and Crop Development

Project Coordinator;
 Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to Improve the Enabling for Business Environment for Agriculture in Kenya Project

Sign

Date.....

Head of Accounting Unit;
 State Department for Crop Development and Agricultural Research

Sign.....

Date.....

*Supporting Agricultural Input and Output Marketing Policy and Regulatory Reforms to improve the Enabling Business Environment for Agriculture in Kenya Project
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Annex 3 – Summary of Fixed Assets Register – Include assets purchased from previous years' budget.

Asset class	Opening Cost (Kshs) 2021/22	Donations in form of assets (Kshs) 2021/22	*Purchases/ Additions in the Year (Kshs) 2021/22	**Disposals in the Year (Kshs) 2021/22	Transfers in/(out) Kshs 2021/22	Closing Cost (Kshs) 2022
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
ICT Equipment,	775,000.00	-	-	-	-	775,000
Total	775,000.00	-	-	-	-	775,000

Notes

* No Purchases/Additions in the year to reconcile to the amount in Statement of Receipts and Payments

APPENDICES

- i) Bank Reconciliations statement as at 30th June 2022
- ii) Board of Survey Report
- iii) GOK IFMIS comparison Trial Balance

MINISTRY OF AGRICULTURE LIVESTOCK FISHERIES AND IRRIGATION
AGRA SUPPORTED PROJECT
GRANT REFERENCE NO. 2018 KE 005

NCBA BANK ACCOUNT NO. 8518320012
BANK RECONCILIATION FOR THE YEAR END 30TH JUNE 2022

		Kshs	Kshs
	BALANCE AS PER BANK STATEMENT		12,595,221.98
Less-	1. Payment in the cashbook not appearing on bank statement	368,104.00	
	2. Receipts in Bank statement not posted in Cashbook	-	
	Adjustment	-	
		368,104.00	368,104.00
Add-	3. Payment in the Bank statement not recorded in the Cash Book	-	
	4. Receipts in the Cash Book not yet Banked	-	-
	Bank Balance as per Cash Book		12,227,117.98

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and that the above Reconciliation is correct.

Stella Muindi
Signature

PREPARED BY: Stella Muindi

Designation: Senior Accountant

30-06-2022

Date

REPUBLIC OF KENYA

Date 01/07/2022Report of the Board of Survey on the Cash and Bank Balances
of**SUPPORTING AGRICULTURAL
INPUT AND OUTPUT MARKETING****PROJECT – AGRA GRANT NO. 2018 KE 005**

as at the close of

business on 30/06/2022

The Board, consisting of- (Names and Official titles)

JOHN KARIUKI - PAO - CHAIRALICE KINYUA - POA - MEMBERDOUGLAS MUTEMI - POA - MEMBER**AGRA PROJECT, GRANT**

Assembled at the office of

at 11.00 A.M. (time) on the 1ST JULY, 2022Notes (Shs. NIL)Silver Shs. NILcopper Shs. NILCheques (as per details on reverse) Shs. NILIt was observed that cheques amounting to Shs. NIL Cts

had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes

The Cash Book reflected the following balances as at the close of business on the 30/06/2022Cash on hand (Shs. NIL)Bank balance Shs. 12,227,117.98

The Bank Certificate of Balance showed a sum of

Shs. Twelve million, five hundred ninetyFive thousand, two
hundred and Cts Ninety
twenty one.Shs. 12,595,221 cts 98Standing to the credit of the account on 30/06/2022The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank
Reconciliation Statement (F.O. 30) attached.Date 01/07/2022

Chair John Kariuki

Member Douglas Mutemi

Member Alice Kinyua

Members of the Board

LIST OF CHEQUES INCLUDED AS PART OF CASH ON HAND

CHEQUE NO.	DRAWER	DATE OF CHEQUE	DATE RECEIVED	AMOUNT
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MINISTRY OF AGRICULTURE LIVESTOCK FISHERIES AND COOPERATIVES
AGRA SUPPORTED PROJECT
GRANT REFERENCE NO. 2018 KE 005

Trial balance for the Financial year ended 30th June, 2022.

S/NO	PARTICULARS	NOTE	AMOUNT(KSH)	AMOUNT(KSH)
1	Proceeds from domestic and foreign grants	2	-	64,288,866.65
2	Miscellaneous receipts	4	-	244,440.05
3	Utilities, Supplies and Services	6	-	-
4	Communication, Supplies and Services	6	-	-
5	Domestic Travel and Subsistence	6	40,113,630.00	-
6	Printing, advertising & information supplies	6	542,715.00	-
7	Consultancy Services	6	9,109,500.00	-
8	Other operating payments	6	112,723.78	-
9	Routine Maintenance	6	499,733.00	-
10	Training Payments	6	-	-
11	Hospitality supplies & services	6	2,746,600.00	-
12	Acquisition of non-financial assets	8	-	-
13	Bank Balance		12,227,117.98	-
14	Fund Balance B/F		-	818,713.06
	TOTAL		<u>65,352,019.76</u>	<u>65,352,019.76</u>