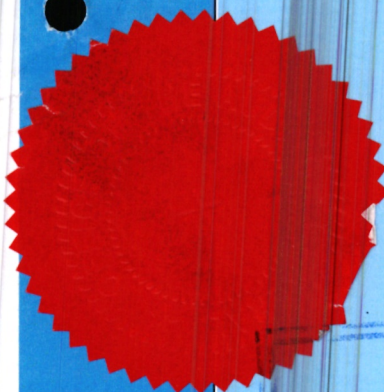


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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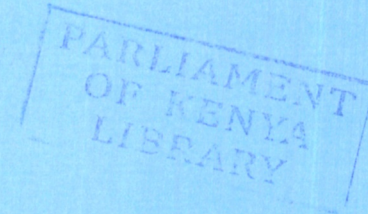
DATE: 31 JUL 2019

DAY: Wednesday

FILED: Hon. Benjamin Mutitu
(Majority Whip)
Halima Ahmed

OF

THE AUDITOR-GENERAL



ON

THE FINANCIAL STATEMENTS OF
AGRICULTURE AND FOOD AUTHORITY

FOR THE YEAR ENDED
30 JUNE 2018



AGRICULTURE AND FOOD AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The Agriculture and Food Authority (AFA) is a state corporation established through an Act of Parliament specifically, under section 3 of the Agriculture Fisheries and Food Authority Act of 2013 and amended by Statute law (Miscellaneous Amendment) Act 2016 dated 26/4/2016 which changed the name to Agriculture and Food Authority (AFA)

The Act consolidates the laws on the regulation and promotion of agriculture and makes provision for the respective roles of the National and County Governments in Agriculture and related matters.

(b) Principal Activities

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

- Administer the Crops Act, in accordance with the provisions of the AFA and Crops Acts;
- Promote best practices in, and regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural and aquatic products excluding livestock products as may be provided for under the Crops Act;
- Collect and collate data, maintain a database on agricultural products excluding livestock products, documents and monitor agriculture through registration of players as provided for in the Crops Act and the Fisheries Act;
- Determining the research priorities in agriculture and to advise generally on research thereof;
- Advise the national government and the county governments on agricultural levies for purposes of planning, enhancing harmony and equity in the sector;
- Carry out such other functions as may be assigned to it by the AFA Act, the Crops Act, and any written law while respecting the roles of the two levels of Government

(c) Vision, Mission and Core Values

Vision:

“To be a World Class Regulator in the Agriculture Sector”

Mission:

“To sustainably develop and promote scheduled crops value chains through effective regulation for economic growth”

Motto:

“Our Crops, Our Wealth”

Core Values:

“Professionalism; Integrity; Customer focus; Teamwork; and Innovativeness”

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2018

(d) Key Management

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

Board of Directors
Director General
Management

(e) Fiduciary Management

The key management personnel who held office during the period starting from 1st July 2017 to 30th June 2018 and who had direct fiduciary responsibility were:

MANAGEMENT		
NAME	DESIGNATION	PERIOD
Joseph Ngetich	Interim Director General	May 18 to June 2018
Anthony Mureithi	Interim Head - Tea Directorate	"
Nehemia Chepkwony	Interim Head - Horticulture Directorate	"
Richard Ndegwa	Interim Head - Nuts and Oils Directorate	"
Naomi Kamau	Interim Head - Fibre Directorate	"
Isabella Nkonge	Interim Head - Coffee Directorate	"
Leonard Kubok	Interim Head - Food Directorate	"
Clement Muyesu	Interim Head – Miraa, Pyrethrum and other Industrial Crops Directorate	"
Solomon Odera	Interim Head - Sugar Directorate	July 2017 to May 2018
Alfred Busolo	Interim Director General	July 2017 to May 2018
Anthony Mureithi	Interim Head - Fibre Directorate	"
Zakayo Magara	Interim Head - Horticulture Directorate	"
Raymond Kahindi	Interim Head - Nuts and Oils Directorate	"
Anthony Mureithi	Interim Head - Fibre Directorate	"
Chebii Kilel	Interim Head - Food Directorate	"
Andrew Osodo	Interim Head – Miraa, Pyrethrum and other Industrial Crops Directorate	"
Grenville Meli	Interim Head - Coffee Directorate	"
Elias Kiragu	Interim Head -Finance	July 2017 to June 2018
Patricia Njeru	Interim Head -Planning, Research & Strategy	"
Isaac Metto	Interim Head -Internal Audit	"
Christine Chesaro	Interim Manager-Corporate and Communications	"
Daniel Mbovu	Interim Manager -Supply chain	"
Amos Mulievi	Interim Manager –ICT	"
Frankie Welikhe	Interim Head –Legal	"
Nelly Mulema	Interim Head -Human Resource	April 18 to June 2018
Peter Lukoye	Interim Head -Human Resource	July 2017 to March 2018

(f) Fiduciary Oversight Arrangements

Audit and finance committee activities

The primary purpose of an audit committee is to provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations while role of the finance committee is primarily to provide financial oversight for the organization. This include budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies.

Parliamentary committee activities

The Public Investment Committee is responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit.

Development partner oversight activities

It looks at the broad objectives and service delivery approaches across all grants and seeks to identify and resolve issues that might hinder successful grant implementation. Oversight helps ensure transparency and accountability in grant implementation and that Global Funds resources are used appropriately and effectively to achieve intended intermediate and long term results in accordance with the national strategic plans

Public Procurement Oversight Authority (PPOA),

Facilitate access to procurement opportunities through enabling regulation that fosters value for money for national socio-economic development.

(g) Agriculture and Food Authority Headquarters

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

(h) Agriculture and Food Authority Contacts

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

(i) Agriculture and Food Authority Bankers

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

(j) Independent Auditors

Auditor General

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2018

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

(k) Principal Legal Adviser




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

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 <p>Mr. Julius Koros Member - Interim Management Committee</p>	<p>Masters – Economics</p>
 <p>Mr. David Okoth Member - Interim Management Committee</p>	<p>Master of Business Administration (MBA) (40yrs)</p>
<p>Ms. Magdalene Mnene Member - Interim Management Committee</p>	<p>Master of Business Administration (MBA)</p>
 <p>Ms. Charity Mariene Member - Interim Management Committee</p>	<p>Master of Science (Msc.) - Rural Management, Bachelor of Science (B.Sc.), Agriculture</p>
<p>Mr. Joseph Kariuki Member - Interim Management Committee</p>	<p>Bachelor Degree Economics</p>
<p>Ms. Lilian Kieni Member - Interim Management Committee</p>	<p>Masters in Urban and Regional Planning.</p>

II. THE BOARD OF DIRECTORS OF THE AUTHORITY

The Board of Directors were appointed through a gazette notice Vol. CXVIII –No.146 dated 25th Nov. 2016 effective 7th November, 2016. However, their term of office ended in November 2017 and there was no Board in place by the reporting date. Details of the Board members who served up to November 2017 is as follows:-

DIRECTOR	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 Mr. Raphael Lekool- Chairman, Interim Management Committee	Master of Business Administration (MBA) ,University of Wales College of Cardiff, Cardiff Business School, UK
Mr. Francis Michuki Member - Interim Management Committee	Bachelor of Arts (B.A) Economics, Political Science, Amherst college University - Massachusetts (USA) (54yrs)
 Ms. Susan Nkatha Kairima Member - Interim Management Committee	Masters in Strategic Management (52yrs)
 Mr. Julius Nyarotho (Eng.), Member - Interim Management Committee	Bachelor of Sciences (Bsc) Engineering (69yrs)

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 <p>Alfred Busolo Tabu Interim Director General</p>	<p>Master of Science in Food Industry Management and Marketing and Bachelor of Science in Agriculture.</p>
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NAME OF THE COMMITTEE	MEMBERS
Finance and Strategy Committee	<ol style="list-style-type: none"> 1. Mr. Francis Michuki 2. Mr. Joseph Kariuki 3. Ms. Susan Kairima 4. Mr. Julius Koros 5. Ms. Charity Mariene
Human Resource Committee	<ol style="list-style-type: none"> 1. Ms. Susan Kairima 2. Ms. Magdalene Mnene 3. Eng. Julius Nyarotho 4. Ms. Lilian Kieni 5. Ms. Charity Mariene
Audit and Governance	<ol style="list-style-type: none"> 1. Mr. David Okoth 2. Eng. Julius Nyarotho 3. Ms. Magdalene Mnene
Technical Committee	<ol style="list-style-type: none"> 1. Mr. Julius Koros 2. Ms. Lilian Kieni 3. Mr. David Okoth 4. Ms. Francis Michuki 5. Eng. Julius Nyarotho 6. Ms. Charity Mariene



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Financial Statements for the Year Ended 30th June 2018**

III. MANAGEMENT TEAM




During the financial year ended 30th June 2018, the following was the management team who oversaw operations of the Authority:-

STAFF DETAILS	RESPONSIBILITY AREA
<p>Joseph Ng’etich</p>	<p>Interim Director General May 2018 – June 2018</p>
 <p>Alfred Busolo Tabu Master of Science in Food Industry Management and Marketing and Bachelor of Science in Agriculture. Member of Institute for Striga Management in Africa, Institute of Directors, Lead Expert (NEMA), Environment Institute of Kenya and Advisory Board Drought Tolerant Maize for Africa III</p>	<p>Interim Director General July 2017 – May 2018</p>
 <p>Anthony G. Mureithi Masters in Agricultural Economics, Bachelor of Science in Agriculture and Diploma in Agriculture</p>	<p>Interim Head: Fibre Directorate – July 2017 – May 2018 Tea Directorate – May 2018 – June 2018</p>
 <p>Solomon O. Odera Bachelor of Science in Business Administration</p>	<p>Interim Head - Sugar Directorate July 2017 – June 2018</p>

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Nehemia Chepkwony	Interim Head - Horticulture Directorate
Richard Ndegwa	Interim Head - Nuts and Oils Directorate
Naomi Kamau	Interim Head - Fibre Directorate
Isabella Nkonge	Interim Head - Coffee Directorate
Leonard Kubok	Interim Head - Food Directorate
Clement Muyesu	Interim Head – Miraa, Pyrethrum and other Industrial Crops Directorate
 <p>Samuel O. Ogola Masters of Business Administration (Executive), Bachelor of Science In Agricultural Engineering, Post Graduate Diploma in International Business and Diploma in Business Management. Member of Kenya Institute of Management and Kenya Society of Agricultural Engineers</p>	<p>Interim Head, Tea Directorate July 2017 – May 2018</p>
 <p>Grenville Melli Master of Science in Agricultural Engineering, Bachelor of Science in Agriculture, Diploma in Management</p>	<p>Interim Head - Coffee Directorate July 2017 – May 2018</p>

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 <p>Zakayo M. Magara Bachelor of Science, Agriculture</p>	<p>Interim Head - Horticulture Directorate July 2017 – May 2018</p>
 <p>Raymond M. Kahindi Masters in Agricultural Engineering, Bachelor of Science in Agricultural Engineering</p>	<p>Interim Head - Nuts and Oils Directorate July 2017 – May 2018</p>
 <p>Chebii Kilel Master of Arts in Project Planning & Management, Bachelor of Science in Agriculture</p>	<p>Interim Head - Food Directorate July 2017 – May 2018</p>



Andrew O. Osodo

Masters in Business Administration, Bachelor of Laws, Post Graduate Diploma in Law, registered member of ICPSK and advocate of the High Court

Interim Head:
POIC Directorate - July 2017 – May 2018



Elias K. Kiragu

MBA (Finance), BBA (Accounting), Member ICPAK

Interim Head –Finance
July 2017 – June 2018



Patricia W. Njeru

Master of Economics. Bachelor of Science (Economics), Graduate Diploma in Resource Economics

Interim Head -Planning, Research and Strategy
July 2017 – June 2018

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Financial Statements for the Year Ended 30th June 2018**



Masters in Business Administration, Bachelor of Arts,
Member of Institute of Human Resource Management
and Kenya Institute of Management

Interim Head -Human Resource &
Administration
April 2018 – June 2018



Isaac C. Metto
Executive Master of Business Administration,
Bachelor of Commerce (Accounting). Member of
Institute of Internal Auditors.

Interim Head -Internal Audit
July 2017 – June 2018



Peter L. Lukoye
Masters in Business Administration, Bachelor of Arts,
Member of Institute of Human Resource Management
and Kenya Institute of Management

Interim Head -Human Resource &
Administration
July 2017 – March 2018



Frankie W. Welikhe
Bachelor of Laws, Post Graduate Diploma from Kenya School of Law, Post Graduate Diploma from Certified Public Secretaries. Registered advocate of the High Court.

Interim Head –Legal
July 2017 – June 2018



Christine Chesaro Yebei
Masters in International Relations, Bachelor of Arts in French & History, Post Graduate Diploma in Public Relations Management


Interim Manager-Corporate
Communications
July 2017 – June 2018



Daniel K. Mbovu

Interim Manager -Supply chain
July 2017 – June 2018

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Bachelor of Commerce in Marketing, Diploma in Purchasing & Supplies Management and Member of Kenya Institute of Supplies Management	
 <p>Amos M. Mulievi Masters in Information Systems, Bachelor of Education (Mathematics), Post Graduate Diploma in Computer Science</p>	Interim Manager –ICT July 2017 – June 2018

IV. CHAIRMAN'S STATEMENT

V. REPORT OF THE DIRECTOR GENERAL

According to the 2018 Economic Survey, Gross Domestic Product (GDP) expanded by 4.9 per cent in 2017 compared to a growth of 5.9 per cent in 2016. The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with effects of adverse weather conditions. A widespread drought experienced during the fourth quarter of 2016 and somewhat suppressed long rains in 2017, as well as pests such as the fall army worms and diseases negatively impacted on crop production.

In 2017, Agriculture remains the highest contributor to Gross Domestic Product (GDP at 31.5%, out of which 24.9% was derived from growing of crops. During the year under review, the sector recorded mixed performance in 2017 which led to a decelerated growth of 1.6 per cent compared to 5.1 per cent growth in 2016. Drought coupled with pests such as the fall army worms and diseases led to the overall decline in agricultural production in 2017. Maize production declined from 37.8 million bags in 2016 to 35.4 million bags in 2017. Similarly, sugarcane production declined from 7.2 million tonnes in 2016 to 4.8 million tonnes in 2017. The recorded declines in production of maize and sugarcane resulted in huge imports of maize and sugar to bridge the deficit. Wheat production declined by 23.1 per cent from 214.7 thousand tonnes in 2016 to 165.2 thousand tonnes in 2017. Tea production declined by 7.0 per cent to 439.8 thousand tonnes in 2017 while marketed coffee dropped by 15.1 per cent to 33.7 thousand tonnes in the year under review. Despite reduced production of major crops during the period under review, better prices were realized for the marketed agricultural output. Consequently, the value of marketed production increased by 8.2 per cent from Kshs 413.2 billion in 2016 to Kshs 446.9 billion in 2017. Despite the general declined output in most crops, production of food crops such as potatoes, beans and some cereals posted relatively improved performance. Similarly, growth in the sector was supported by notable increases in export values of tea, horticulture and coffee, which constitutes the country's major agricultural exports. Kenya is the world's leading exporter of black tea and cut-flowers.

The role of the Authority is to Regulate, Develop and Promote Scheduled Crops value chains for increased economic growth in Kenya. The Directorates provide AFA's core functions - Technical Services, Regulation and Compliance, Market Research and Product Development.

To enhance operational efficiency, AFA commissioned M/S Deloitte Consulting Limited to carry out a job evaluation for staff, review the Authority's organisational structure and staff rationalization to enable the Authority to appropriately place employees in line with their qualifications, and harmonize terms and conditions of service for all staff in the merged organisation. The Ministry of Agriculture, Livestock, Fisheries and Irrigation, and the AFA Board approved and adopted recommendations of the report and AFA is currently set to embark on implementation of the report.

During the financial year, the previous agricultural boards retained their office service points to avoid disruption of service delivery to stakeholders during the merger. However, AFA is now

consolidating its Directorates under one-stop-shop offices in all the regions countrywide to create synergy, ease of doing business and improved service delivery to stakeholders.

To operationalize the AFA and Crops Acts, draft regulations were developed through a consultative process. The regulations are awaiting impact assessment and Gazzettment by the Parent Ministry. The Authority also commenced implementation of the strategic plan whose themes include operational efficiency, transformational regulation and stakeholder focus.



.....
Anthony Muriithi
INTERIM DIRECTOR GENERAL

VI. REPORT ON CORPORATE GOVERNANCE

The Board of the Agriculture and Food Authority known as the Interim Management Committee was appointed by the Cabinet Secretary for Agriculture, Livestock and Fisheries on 7th November 2016 for a period of one year. The AFA Board brings together diverse backgrounds and expertise necessary to provide leadership to the Authority. The Board and management of the Authority continue to comply with Corporate Governance guidelines and the Mwongozo Code of Governance for State Corporations. The Board recognizes the fundamental role of corporate governance in enhancing the culture and performance of the Authority and further, that high standards of corporate governance are a key contributor to the long term success of the Authority.

The Board's Charter

In line with good corporate governance and the provisions of the Mwongozo Code, the Authority has prepared a Board Charter which has been adopted by the Board of the Authority. The Board Charter defines the Board's Roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. The Charter will help the Board in directing the organization to maximize the long term value of services provided for all stakeholders. It will also assist members to understand their individual and collective roles with the purpose of helping the organization fulfil its mandate.

The Charter is complementary to the provisions as contained in the Agriculture and Food Authority Act and other applicable Kenyan laws and regulations. The charter will be reviewed annually.

Process of Appointment of Chairperson and Board Members

The process of appointment of the Chairperson and the Board members is provided for under the Agriculture and Food Authority Act. The Chairperson shall be appointed by the President while the other board members shall be appointed by the Cabinet Secretary. The Board of the Authority shall consist of eight farmer representatives. In appointing the eight farmer representatives the Cabinet Secretary is required to consult with the Council of County Governors. Every appointment shall be by name and by notice in the Kenya Gazette. A member of the Board may at any time resign from office by notice in writing to the Cabinet Secretary. A member may also be removed from office if the member is;

- (a) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
- (b) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding ten thousand shillings; or
- (c) Is incapacitated by prolonged physical or mental illness or is deemed otherwise unfit to discharge his or her duties as a member of the Board;
- (d) Is adjudged bankrupt or enters into a composition scheme or arrangement with his or her creditors;
- (e) Is convicted of an offence involving dishonesty or fraud;
- (f) Otherwise fails to comply with the requirements of Chapter Six of the Constitution

The removal of a Board member shall be through formal revocation.

Succession/Term Limits

Board members, shall hold office for a period not exceeding five (5) years, and are eligible for reappointment for one more term not exceeding five (5) years. The renewal of a Board Members tenure for a second term is subject to an acceptable evaluation as determined during Board evaluations.

The Roles and Functions of the Board

The basic responsibilities of the Board members was to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the Authority and its stakeholders.

The Roles and Functions of the Board included the following;

- (a) Exercised their role collectively, not individually
- (b) The Board oversaw the implementation of the Authority's mission, vision, purpose and core values through various programs;
- (c) Setting and overseeing the overall strategy and approving significant policies of the Authority;
- (d) Reviewed, evaluated and approved, on a regular basis, long-term plans for Authority.
- (e) Reviewed, evaluated and approved the Authority's budget and financial forecasts;
- (f) Reviewed, evaluated and approved major resource allocation and capital investments;
- (g) Ensured that the procurement processes were cost-effective and delivered value for money;
- (h) Reviewed and approved the operating and financial results of Authority;
- (i) Ensured effective, accurate, timely and transparent disclosure of pertinent information on the Authority's operations and performance.
- (j) Ensured that effective processes and systems of risk management and internal controls were in place;
- (k) Approved the appointment of senior management;
- (l) Reviewed, evaluated and approved the overall Authority's structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- (m) Reviewed, evaluated and approved the remuneration structure of the Authority;
- (n) Adopted, implemented and monitored compliance with the Authority's Code of Conduct and Ethics;
- (o) Reviewed on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurements framework with the Government of Kenya;
- (p) Reviewed periodically the Authority's strategic objectives and policies relating to sustainability and social responsibility/investment;
- (q) Protected the rights of shareholders and optimized shareholder value;
- (r) Enhanced the Authority's public image and ensured engagement with stakeholders through effective communication;
- (s) Ensured availability of adequate resources for the achievement of the Authority's objectives;
- (t) Monitored compliance with the Constitution, all applicable laws, regulations and standards; and
- (u) Reviewed monitored and ensured that the Authority is effectively and consistently delivering on its mandate.

Agriculture and Food Authority

Financial Statements for the Year Ended 30th June 2018

To effectively discharge its mandate, the Board established the Following four (4) committees with specific terms of reference:-

- 1. Audit, Risk and Governance Committee;**
- 2. Human Resource Committee**
- 3. Finance and Strategy Committee.**
- 4. Technical Committee**

The members of the Audit Committee are all Non-Executive members of the Board. The committee members have the requisite skills and expertise and executed their responsibilities with the highest degree of professionalism.

Conflict of Interest

The Mwongozo code of Governance for State Corporations, the Leadership and Integrity Act, Public Officer Ethics Act and other relevant laws have set standards on the management of conflict of interest. The Authority is in compliance with the requirements set out in the code and the relevant laws. The Directors are required to disclose their areas of conflict. Directors are required to refrain from contributing to or voting on matters in which they have such conflict or influence a decision with respect to such a matter. The Authority also maintains a register to record conflict of interest

Board Remuneration

The Board of the authority recommended the remuneration and sitting allowances paid to the Chairman and Board of the Authority in line with the currently prevailing government guidelines on payment of remuneration and allowances for Board members. The Chairman and Board were therefore paid Sitting allowances and other allowances in line with the guidelines.

Ethics and Conduct and Governance Audit

The Authority has adopted high standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board continued to adhere to good corporate governance by embracing the following principles:-

1. Observing high standards of ethical and moral behaviour;
2. Acting in the best interests of the organization;
3. Remunerating and promoting staff fairly and responsibly;
4. Recognizing the legitimate interests of all stakeholders; and
5. Ensuring that the Authority acts as a good corporate citizen.

In general, Board members upheld their fiduciary responsibilities and duty of care to act in the best interest of the organization. The members promoted the creation of a culture built on principles of integrity, accountability and transparency. The Chairman and Board members also signed the Code of Conduct and Ethics for State Corporations.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Since 2016 when levies from Coffee, Tea and Sugar were scrapped, over 80% of the Authority's revenue emanates from government grant whilst the rest comes from internally generated funds. This materially affected the operations of the Authority in that, some of the projects were scaled down as the matching grant from the Government was inadequate to finance the projects such as Sugar Pilot irrigation, Fertilizer subsidy, Factory rehabilitation, and Cane Testing Unit, as well as Tea Research activities and Common User Facility. As a result, this has negatively impacted on the Authority's ability to carry out some of its mandate like; cane development, research in tea and coffee and infrastructural developments in sugar and tea growing areas.

However, the Authority continued to undertake programmes to promote production and productivity of the various scheduled crops in line with its mandate. In the previous financial year (2016/17) the Authority completed civil works and installation of nine (9) CTUs were completed in sugar mills of Chemelil, Muhoroni, Kibos, Mumias, Butali, Sukari, Transmara, Kwale Sugar and West Kenya. In the Financial Year 2017/2018 the Authority recruited, deployed and trained 18 operational staff to manage the Cane Testing Units at the 9 Mills, developed and validated the Laboratory Manual on Standard Operating Procedures, Commenced Calibration of the Near InfraRed (NIR), undertook technical commissioning of the CTU and put in place the annual CTU Maintenance support.

The other key activities undertaken during the financial year were in accordance with the Authority's mandate on Regulation and Compliance, Technical and advisory as well as Market Research and Development. Market Research and Development activities were the most funded and these included Generic Promotion; Market Research & development; Subscriptions to Associations; International conference; value addition promotion; and market registration. The activities constituted bulk of the funding on core mandate owing to the fact that most of the markets for scheduled crops are international and are widespread to many countries. There was increased funding on Market Research & development compared to the previous year, as market linkages for export of Kenyan products increased from twelve to twenty nine. During the financial year, AFA conducted market linkages in the U.A.E, China Germany, North America, Netherlands South Korea, Dubai Poland, Egypt, Japan, Russia and IFTX in Nairobi and participated in bilateral trade talks with Turkey by presenting a position paper on tea trade between Kenya and Turkey. This is expected to enhance Agribusiness and market access of agricultural products to the export markets thereby generating more foreign exchange to the country and earnings to the growers.

Technical and advisory services undertaken during the year included procurement and distribution of coffee seedlings, production of sisal plantlets via Meristematic Tissue Culture, capacity building forums on management of harmful organism in horticultural crops (Fruit flies, False scolding Moth); consultative forum to identify horticultural research priority areas on harmful organism to the crops; promoting new technologies on the use of beneficial organisms for passion fruits in different regions; promoting high value crops in five counties; undertaking capacity building sections on County agricultural staff; undertaking sensitization forums on avocado harvesting

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guide for export avocado varieties and upgrading crop value chains for cashew nuts, Rhodes Grass & Sun flower.

Regulation and Compliance activities undertaken during the financial year included Registration & licensing; Inspections & Surveillance; Development and Review of Standards; Quality analysis; Stakeholders Fora; International Fora/Meetings; Consultancies; Industry data collection and forecasting/ e portal. Regulation and Compliance activities were the least funded mandate of the Authority with the funding declining compared to the previous year owing to gradual ceding of the mandate to the counties in accordance with the Constitution and increased adoption of industry self-regulatory mechanisms.

To ensure compliance with national and international standards, procedures and regulations by registered and licensed industry players for horticultural crops, farm conformity checks were done in Meru, Kilifi, Nyeri, Kajiado, Nyandarua, Machakos, Nakuru, Makueni and Muranga counties. All exporters of flowers, fruits and vegetables, were vetted to ensure compliance to traceability and good agricultural practices. In addition, eight (8) stakeholder forums were conducted on Horticulture standards (KS1758- fruits and vegetables) for produce destined for the local market. The forums were in Busia, Kisumu, Nyeri, Machakos, Bungoma, Nakuru, Kericho, and Kitui Counties. During the financial year, agreements between tea factories and tea growers, tea factories and management agents were maintained.

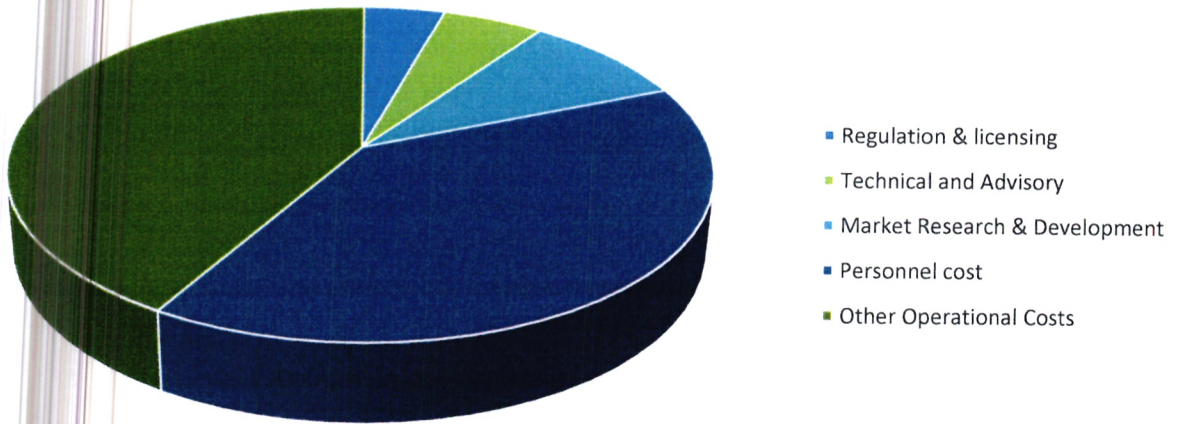
In the financial year 2017-18, the Authority increased allocation to core mandate by Kshs. 197.578 million representing 52% increase. This resulted to an increase of 87% (Kshs 61.65 million) to regulation and compliance, 26% (Kshs. 34.233 million to Technical and Advisory, and 57% (Kshs. 101.69 million) to Market Research & Development. This aimed at enhancing service delivery to stakeholders and making the Authority's programmes more impactful to the society. A breakdown of the authority's budget for 2 years is given here below:-

Table 1: Allocation of funding to AFA core mandate

Vote Head	2017-18	2016-17	Variance	% Variance
Regulation & Compliance	132,210	70,560	61,650	87%
Technical and Advisory	167,218	132,985	34,233	26%
Market Research & Development	278,659	176,964	101,695	57%
Personnel cost	1,230,483	1,023,437	207,046	20%
Other Operational Costs	1,294,580	1102151	192,429	17%
Total	3,103,150	2,506,097	597,053	

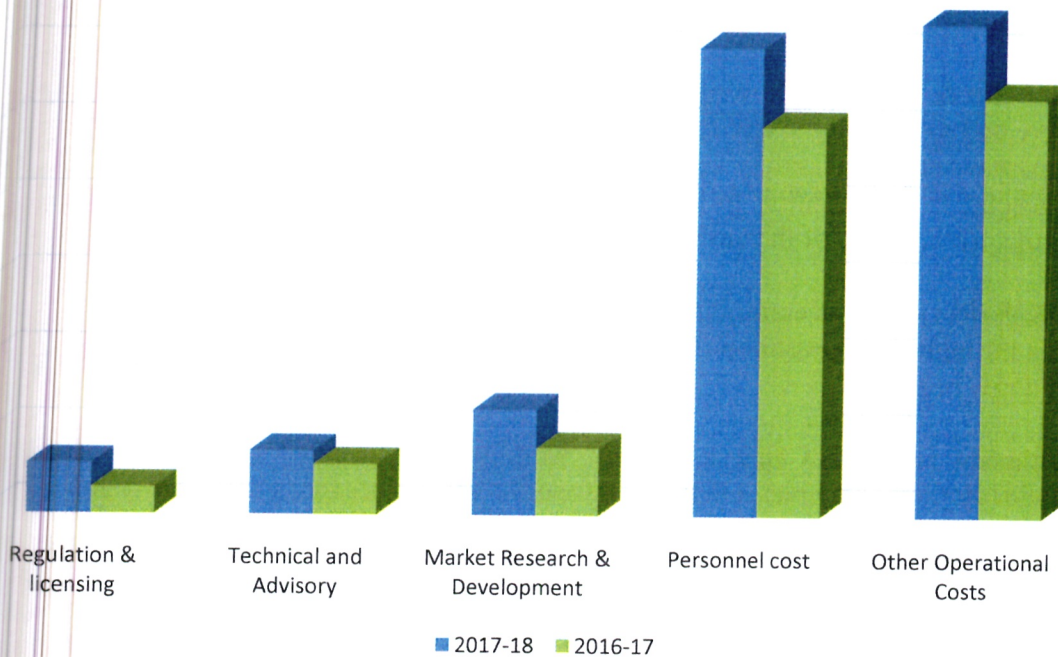
The breakdown is graphically illustrated below:

Breakdown of the Authority's Budget for FY 2017-18



A comparative analysis of the budget for 2 years is given as follows:

Budget Comparative Analysis for 2 years



**VIII. CORPORATE SOCIAL RESPONSIBILITY
STATEMENT/SUSTAINABILITY REPORTING**

INTRODUCTION

Social Responsibility is one of the core values of the Agriculture and Food Authority and as such, the Authority is committed to giving back to the community in line with national development strategies. Agriculture and Food Authority's Corporate Social Responsibility policy is driven by the need to preserve the environment, and promote socio-economic development through sponsorship and participation in activities that enhance the livelihood of other members of the society. For the Agriculture and Food Authority, it also means a commitment to integrate responsible practices into daily business operations, monitor and evaluate progress made and achievements gained through the implementation of these practices. It is also an indication to our stakeholders that the organization cares about the community.

To facilitate execution of CSR programmes, AFA has developed a CSR Policy that is aligned to the Vision 2030 and appointed a CSR Committee, whose role is to evaluate CSR requests and make recommendation for AFA's sponsorship.

AREAS OF FOCUS

The Policy's key focus is on the following areas: Community Service, National disaster and Humanitarian support.

Education: In recognition that education is the bedrock of the country's economy, AFA supports education through support to schools and individual needy students. This serves to motivate students to strive for excellence and to provide an opportunity to strategically create awareness about AFA and build goodwill among the younger generations.

Environment & sustainable agriculture: AFA recognizes the need to promote sustainable agriculture and safeguard the environment and natural resources. The Authority has developed an environmental health and safety services policy, mobilized staff to engage in environment and natural resources preservation projects in the community and sponsored programmes geared towards the preservation of the environment and natural resources.

Health & Safety: AFA is committed to ensuring that it adheres to the requisite health and safety standards through the prevention of pollution and efficiency use of resources including energy water and raw materials.

The Authority recognizes that a healthy workforce contributes to the productivity of the organization. It therefore invests in the welfare of its employees through the provision of a Medical scheme that caters for all the medical needs of the employees and immediate families.

Youth & Gender: The 2030 vision for gender, youth and vulnerable groups is gender equity in power and resource distribution, improved livelihoods for all vulnerable groups, and responsible, globally competitive and prosperous youth. In line with this, AFA has:

- Improved access of youth and women in business opportunities;
- Provided financial support to women groups to raise their incomes and reduce the gap in estimated earned incomes between men and women;

- Given priority to female employees in the public sector in order to attain at least 30 per cent representation in recruitment, promotion and appointment of women to all decision making levels;
- Mainstreamed gender in the Authority's activities .

Community outreach: Agriculture and Food Authority is committed to being a responsible corporate citizen through the support for appropriate non-political and non-sectarian projects and local charities both with financial and non-financial donations. We aim at supporting the creation of prosperous, educated, sustainable and healthy communities in the environments in which we operate. With a focus on education, health, Sports and the environment, we have developed targeted programmes for local communities, involving commercial sponsorship and significant employee engagement through direct involvement.

Charitable Donations: The Authority has allocated for donations to charity and support for good causes especially with respect to food security, health and education. The amount allocated have been administered and allocated on merit by the CSR Committee.

SPONSORSHIP IN 2017/2018

In the Financial year 2017/2018, AFA participated in the following CSR programmes:

Tree Planting in Murang'a County. In order to conserve the environment and promote sustainable farming practices, the Authority in collaboration with the Catholic Diocese of Murang'a, planted 20,000 tree seedlings in June 2018.

Donation to Moi Girls School Nairobi: Agriculture and Food Authority (AFA) received a request from Moi Girls School Nairobi to support needy students whose parents/guardians were unable to pay their school fees. These students had fees arrears totalling Kshs. 793,807.00. In response to this, AFA donated Kshs. 400,000 to the school, being its contribution towards payment of outstanding school fees arrears for the needy students.

IX. REPORT OF THE DIRECTORS

The Directors submit their report for audit for the year ended June 30, 2018. It comprises a period of 12 months showing the performance and state of the Agriculture and Food Authority's Affairs

Principal activities

The principal activities of the entity are to promote best practices in, and regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural as provided for under the Crops Act;

Results

The results of the Agriculture and Food Authority for the year ended June 30, 2018 are set out on page 31 and 32 herein.

Financial Performance

The Authority received a total of Kshs. 2.635 billion (Kshs 1.975 billion in 2016/17) revenues from internally generated sources and Government grants. Further, it generated revenues from rent, interest on fixed deposits received and receivable and other income totalling Kshs. 340.859 million (Kshs. 310.324 million in 2016/17).

From this revenue, the Authority incurred operating expenses totalling to Kshs. 2.673 billion (Kshs. 2.017 billion in 2016/17). The major costs are:

- Employee costs Kshs. 1.039 Billion (Kshs. 707.829 million in 2016/17)
- Operating Expenses Kshs. 621.773 million (Kshs. 639.325 million in 2016/17) and,
- Market research and development Kshs. 246.049 million (Kshs. 176.964 million in 2016/17).

Net surplus for the year is Kshs. 301,575 million (Kshs. 269.189 million in 2015/16) which represents a surplus margin of 10.13 % (11.78% in 2016/17).

Financial Position

The Authority has total net assets worth Kshs. 16.072 billion (Kshs. 7.925 billion in 2016/17) comprising of non-current assets of Kshs. 10.87 billion (Kshs. 3.847 billion in 2016/17) and current assets of Kshs. 6.672 billion (Kshs. 6.182 in 2016/17). Current Liabilities stood at Kshs. 1.143 billion (Kshs. 1.040 billion in 2015/16) giving a working capital ratio of 5.84:1 (5.94:1 in 2016/17) thus indicating a healthy working capital position.

Directors

The members of the Board of Directors who served during the year are shown on page 5 of this report. However, their term of office ended in November 2017 and there was no Board in place by the reporting date

Auditors

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

Approval of the financial statements

The Agriculture and Food Authority's financial statements were approved on behalf of the Board of Directors on 30/08/2018:



.....
DIRECTOR

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of Affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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



Director



for Director

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL REPORT OF THE AUDITOR-GENERAL ON AGRICULTURE AND FOOD AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Agriculture and Food Authority set out on pages 30 to 54, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Agriculture and Food Authority as at 30 June 2018, 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 do not comply with the Public Finance and Management Act, 2012.

Basis for Adverse Opinion

1. Property, Plant and Equipment

1.1. Ownership of Property, Plant and Equipment

The statement of financial position as at 30 June 2018, reflects a balance of Kshs.10,827,813,000 under property, plant and equipment, which includes several properties whose ownership has not been established as explained below:

- (i) The balance of Kshs.10,827,813,000 includes an amount of Kshs.72,000,000 in respect of land measuring 236.35 hectares in Thika, Kiambu County. However, the land measuring 137.2 hectares out of the 236.35 hectares, and which was bought with funds from the defunct Coffee Board of Kenya, is registered in the name of a former Chairman. There is no evidence to indicate whether the former Chairman refunded for the amounts incurred in acquiring the land.

Report of the Auditor-General on the Financial Statements of Agriculture and Food Authority for the year ended 30 June 2018

- (ii) The balance also includes a motor vehicle registration number KBG 517C, which was registered in the name of Coffee Research Foundation. Although management indicates that the value of the vehicle has been removed from the books of account of the Authority, there is no evidence in the records of the Authority to confirm transfer or disposal of the vehicle.
- (iii) Included also in the property plant and equipment balance of Kshs.10,827,813,000 is an amount of Kshs.161,200,000 representing the value of land on which the defunct Horticultural Crops Development Authority depots stand and for which title deeds had not been obtained. Further, the ownership of Plot L.R No.209/12490 situated along Mombasa road, measuring 3.5 hectares and valued at Kshs.692,000,000 is still in dispute.

1.2. Valuation of the Property, Plant and Equipment

- (i) The statement of financial position's balance of Kshs.10,827,813,000 includes a piece of land reference No.209/10537 measuring 8.1 hectares located in Embakasi which was previously owned by the defunct Coffee Board of Kenya since October 1986. This land has, however, remained unutilized and is prone to illegal acquisition by land grabbers.
- (ii) The fixed assets register provided for audit review revealed that the Authority had excluded ten acres of land situated in Wundanyi in Taita Taveta that had been allocated to the defunct Kenya Horticultural Development Corporation, which is valued at Kshs.36,600,000 and a piece of land in Kitui, which had been allocated to the defunct Cotton Board of Kenya and whose acreage had not been determined, but valued at Kshs.4,000,000.

1.3. Land in Mtwapa

- (i) The property, plant and equipment balance also excludes seven acres of land in Mtwapa that had been allocated to the defunct Kenya Coconut Development Authority by the defunct Kenya Agricultural Research Institute. In addition, the ownership had not been transferred by the Kenya Agricultural Research Institute by the time the Authority ceased to exist upon the commencement of the Crops Act, 2013.
- (ii)
- (iii) Additional information shows that as at 30 June 1993, the defunct Cotton Board of Kenya had property, plant and equipment with a net book value of Kshs.210,759,785 and investments in Meru Ginnery Ltd of Kshs.13,940,758. The management has, however, not satisfactorily explained how these property, plant and equipment were accounted for upon the creation of the defunct Cotton Development Authority.

1.4. Property with a Court Case

The property, plant and equipment balance of Kshs.10,827,813,000 as at 30 June 2018 excludes the value of Riverside Estate property L.R. No. 209/4389/3 where the defunct Cotton Development Authority's head office was located. According to information available, the property belonged to the defunct Cotton Board of Kenya and was charged against a bank loan that the Board failed to service. The bank subsequently sold the property for Kshs.21.5 million through a public auction held in November 2000. Further, records show that the purchaser of the property paid the bank an amount of Kshs.8,375,000 representing the balance of the outstanding loan, whereupon the bank released the documents relating to the property to the purchaser. The purchaser thereafter, and before clearing the balance of Kshs.13,125,000 sought to transfer the title to the property in his name. The Board, however, declined to execute the transfer documents and as a result and shortly thereafter, the purchaser filed a case in the High Court in November 2008. Although the case was determined on 25 September 2015, the Authority has not obtained the title deed to the property and consequently the ownership can not be confirmed.

1.5. Old and Idle Motor Vehicles and Cycles

Disclosed in Note 36 to the financial statements is a balance of Kshs.208,857,000 in respect of net book value of automobiles. The net book value includes amounts of Kshs.1,710,000 and Kshs.1,350,000 relating to five motor vehicles and five motor cycles, respectively that are grounded. No reasons have been given for the failure to repairs and use the vehicles and motor cycles or dispose them off.

2. Investment in Subsidiary

As previously reported, the statement of financial position as at 30 June 2018 similarly reflects a balance of KShs.389,000 under investments, which as disclosed in Note 34 to the financial statements relates to investments on coffee exchange shares. However, the investment in the subsidiary of Kshs.389,000 differs with the amount of Kshs.148,200 reflected in the share certificates resulting in an unexplained difference of Kshs.240,800. In the circumstances, the value of investments disclosed in the financial statements can not be confirmed.

3. Cash and Cash Equivalents

3.1. Unsupported Previous Years' Balances

- (i) The statement of financial position as at 30 June 2018 reflects a balance of Kshs.3,311,549,000 under cash and cash equivalents, which includes, as disclosed under Note 24 to the financial statements, cash on hand and in transit, short-term deposits, and collateral deposits. As reported in the year 2014/2015, the financial statements cash and cash equivalents balance for the year 2013/2014 differed with the supporting documents by Kshs.14,621,665. Although management has since passed a prior year adjustment to clear the amount from the cashbook, no supporting documents have been provided to explain how the

amount was written off. The same cash and cash equivalents was net of a negative petty cash balance of Kshs.249,000 that had not been explained at the year end. In addition, cash in hand and imprest of Kshs.2,003,000 and Kshs.49,000 as at 30 June 2015, respectively have not been supported by any verifiable documentary evidence to date.

- (ii) As reported in the previous year, included in the cash and cash equivalents balance of Kshs.3,311,549,000 as at 30 June 2018 are bank account balances relating to the previous years' whose supporting documents have not been provided for audit review as analyzed below:

Directorate	Account Name	Account Number	Account Balance Kshs.
Sugar Directorate	Euro Bank	Not Provided	52,237,000

3.2. Short Term Deposits

The short term deposits of Kshs.1,927,980,000 as at 30 June 2018 as disclosed in Note 24 to the financial statements, includes an amount of Kshs.52,237,000 in respect of deposits that had been placed in Euro Bank, which was placed under receivership in the 1990s. Although full provision has been made in these financial statements for the deposits in Euro Bank, the Authority is yet to recover any money from the receiver manager of the bank.

In view of the circumstances noted above, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,311,549,000 can not be confirmed.

4. Receivables from Exchange Transactions

- (i) The statement of financial position as at 30 June 2018 and as disclosed under Note 25 to the financial statements reflects a balance of Kshs.3,340,855,000, (2017 - Kshs.3,335,913,000) under receivables from exchange transactions. As reported in the previous years, the defunct Sugar Development Fund and Horticultural Crops Development Authority balances of receivables from exchange transactions amounted to Kshs.148,166,000 and Kshs.92,506,000 respectively. Although a provision had been made for the long outstanding amount of Kshs.148,166,000, it still remained uncollected as at 30 June 2018.
- (ii) In addition, the amount of Kshs.92,506,000 outstanding in the books of the defunct Horticultural Crops Development Authority included trade debtors totalling Kshs.63,540,000 which were not reconciled to the supporting documents figure of Kshs.63,156,493. The trade debtors also included unexplained credit balances totalling Kshs.6,097,068. Further, the trade

receivables for the defunct Coffee Board of Kenya amounting to Kshs.2,569,375,479 had been written off in 2010/2011 without necessary approvals from the Parent Ministry and the National Treasury.

- (iii) In addition, included in the trade and other receivables from exchange transactions balance of Kshs.3,340,855,000 as at 30 June 2018 and as disclosed under Note 25 to the financial statements is an amount of Kshs.3,314,704,000 relating to trade debtors (levy arrears) as at 30 June 2018, which has been outstanding for a long time. Although a specific provision of Kshs.126,417,000 has been made in these financial statements in respect of the levies, no action is being taken to recover the levy arrears. In addition, the management has not explained why the liability was not transferred to the Commodities Fund on operationalization of the Crops Act, of 2013.
- (iv) As also reported in the previous year, the trade debtors balance for 2014/2015 included an amount of Kshs.69,352,000 in respect of Horticultural Crop Directorate, while the ledger showed a balance of Kshs.63,540,000 resulting in a difference of Kshs.5,812,000. Similarly, in 2014/2015, the trade debtors balance also included an amount of Kshs.13,340,000 in respect of Tea Directorate while the ledger reflected Kshs.15,599,103, resulting in a difference of Kshs.2,259,103. Although management has effected journal entries to equate the two balances, no supporting documentation or reconciliations have been provided to confirm how the decision to equate the balances was arrived at.
- (v) The trade and other receivables from exchange transactions in the year 2015/2016 included prepayments balance of Kshs.15,959,000. However, a balance of Kshs.5,569,000 in respect of Horticultural Crop Directorate relating to the previous year lacks verifiable documentary evidence. Although management has proposed journal entries to write off the prepayments, no documentary evidence has been provided to indicate the nature of the prepayment or the reasons for its being written off.
- (vi) As reported in the previous year, the financial statements for the year ended 30 June 2014 of the defunct Coffee Board of Kenya, Sugar Development Fund and Kenya Sugar Board reflected amounts of Kshs.17,194,000, Kshs.1,837,694,000, and Kshs.35,130,000 respectively relating to receivables from non-exchange transactions. The amounts had been outstanding for a long time and further, could not be reconciled to supporting documents. In addition, the provision for bad debts made on these balances was inadequate. This matter has remained unresolved to date.

5. Receivables from Non-Exchange Transactions

- (i) The statement of financial position as at 30 June 2018 reflects an amount of Kshs.19,604,000 under receivables from non-exchange transactions, which includes staff debtors amounting to Kshs.10,278,000 as disclosed under Note

24 to the financial statements. The latter includes un-surrendered staff imprests from the defunct Coffee Board of Kenya amounting to Kshs.2,270,769 which have been outstanding since 2013 contrary to the provisions of Section 71(4) of the Public Finance Management Act, 2012 on cash advanced as imprest.

- (ii) As reported in 2014/2015, the receivables from non-exchange transactions balance for 2014/15 included an amount of Kshs.22,215,000 disclosed as staff advances out of which an amount of Kshs.1,271,000 relating to the Horticultural Crop Directorate lacked verifiable supporting documents.

Consequently, the completeness and accuracy of receivables from non-exchange transactions balance as at 30 June 2018 can not be confirmed.

6. Trade and Other Payables from Exchange Transactions

- (i) The statement of financial position as at 30 June 2018 reflects a balance of Kshs.724,084,000 under trade and other payables from exchange transactions. As disclosed under Note 27 to the financial statements, this balance comprises trade payables, payments received in advance, third party payables, other payables and overdrawn bank accounts. In addition, an amount of Kshs.2,636,872,172 relating to the defunct Coffee Board of Kenya had been written off as an old balance on the recommendation of a contracted consultant. However, approval for the write-off from both the Parent Ministry and the Treasury have to date not provided for audit review. Therefore, the propriety of the write-offs effected in the 2010/2011 financial year can still not be confirmed.
- (ii) In addition, the trade and other payables from exchange transactions balance of Kshs.724,084,000 includes trade and other payables amounting to Kshs.106,740,000 brought forward from the books of the defunct Horticultural Crops Development Authority. The latter amount differed with the supporting schedules balance of Kshs.96,156,448 resulting in un-reconciled variance of Kshs.10,583,552. In addition, a balance of Kshs.1,500,038 has remained outstanding for more than five years. Further, the trade and accruals balance in 2015/2016 included an amount of Kshs.5,194,331 relating to debit balances which were netted off contrary to the International Public Sector Accounting Standards (IPSAS) No.1, which states that assets and liabilities, and revenue and expenses may not be offset unless off setting is permitted or required by another IPSAS. The creditors balance also excluded an amount of Kshs.400,000 being audit fee owing to the Office of the Auditor-General.

Consequently, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.724,084,000 cannot be confirmed.

7. Lease of Horticultural Produce Handling Facilities

As previously reported under the defunct Horticultural Crops Development Authority, the Authority signed an agreement with Fresh Produce Exporters Association of Kenya (FPEAK) for the lease of its Horticultural Produce Handling Facilities (HPHF). However,

as per the agreement signed in September 2012, FPEAK took over the facilities without any rent/charges payable to the Authority. Further, available information indicates that according to the Ministry of Lands valuation report dated 7 September 2011, the Authority should have charged a total rent of KShs.3,770,000 per annum for lease of these facilities.

Further, information available indicates that the Authority managed to repossess all the cold rooms from FPEAK and it is already leasing them and generating income. The Authority has also made demands for recoveries of the rent payable for the period the facilities were occupied by FPEAK. However, no recoveries have been made for the period when the facilities were under the use of FPEAK.

8. Irregular Payment on Capacity Building

The statement of financial performance reflects an amount of Kshs.621,773,000 under operating/administrative expenses and as disclosed in Note 20 to the financial statements includes expenses totalling Kshs.60,077,000 described as trainings, seminar, retreats and workshops and conferences. Included in the expenditure of Kshs.60,077,000 is an amount of Kshs.15,076,032 paid to the Institute of Packaging Professionals Kenya on 23 April 2018 vide contract No. AFA/LM/CON/94/2017-2018; in respect of provision of Capacity Building Initiatives for Packaging and Branding for Stakeholders in AFA.

The consultant was to perform the services for a period of six months from 19 April 2018 to 22 October 2018 or any other period agreed by the parties in writing. The payments for the consultancy were made as follows:

Date	Payment Voucher No.	Amount Kshs
15.05.2018	PV04257	3,015,206.40
08.06.2018	PV04402	3,015,206.40
28.08.2018	PV04788	3,769,008.00
18.09.2018	PV04920	5,276,611.00
Total		15,076,031.80

However, a review of the available records indicates that the expenditure on capacity building initiatives for packaging and branding for stakeholders in AFA had not been budgeted for. Further, the Contractor was the only bidder. In addition, although the contract stated that the consultant was to perform the services for a period of six months, and the consultants were to be paid at a monthly rate, the report writing was done within two months and the final payment settled in June 2018.

No evidence has been provided to indicate whether the scope and timing had been revised. It is, therefore, not clear whether the terms of the contract were addressed and whether the whole expenditure of Kshs.15,076,032 was a proper charge to public funds.

9. Rental Income

- (i) The statement of financial performance reflects an amount of Kshs.132,475,000 under rental revenue from facilities and equipment. A physical verification of some of the coffee directorate properties comprising of a fifteen storied commercial development with two pent houses on 14th floor, office space on 13th floor, warehouses/storage spaces from 1st to 12th floor, platform with two railway tracks and sixty parking bays on ground floor revealed that the property is underutilized.
- (ii) A review of documents provided for audit revealed that the Coffee Directorate should collect an amount of Kshs.37,476,000 and Kshs.55,824,480 from rent on space at Kahawa House and Coffee Plaza, respectively all totaling Kshs.93,300,480. However, currently, the Directorate collects an amount of Kshs.87,192,367 per annum for the same resulting to under collected rental income of Kshs.6,108,113.
- (iii) During the year under review, the management had planned to spend an amount Kshs.54,650,000 for major renovations, electrical repairs, refurbishment of washrooms and interior painting of Kahawa House. However, no funds were expended in the renovation of the house and a physical verification revealed that no such work had taken place. No reason has been given for having not refurbished the said building.
- (iv) It has been noted that Kahawa house has a gross leasable area of approximately 215,995 square feet however only 39,000 square feet have been let out resulting to under-use of 176,995 square feet. Rent at Kahawa is charged at Kshs.600 per square feet, therefore the un-used 176,995 square feet should be earning the Coffee Directorate Kshs.8,849,750 per month or Kshs.106,197,000 per annum.

10. Disbursements to Pyrethrum Processing Company

The statement of financial performance reflects a total expenditure of Kshs.2,673,044,000, which includes an amount of Kshs.114,104,000 indicated to have been disbursed to the Pyrethrum Processing Company of Kenya. This amount had not been budgeted for and was instead charged under various directorates vote heads. Although management has indicated that the amount was disbursed on directives from the Parent Ministry and the National Treasury, no documentary evidence has been produced in support of the said directive. Consequently, the validity of the disbursements of Kshs.114,104,000 can not be ascertained.

11. Unoccupied Offices in Kericho

The statement of financial performance reflects an amount of Kshs.621,773,000 under operating/administrative expenses, which, as disclosed under Note 20 to the financial statements includes an expenditure of Kshs.24,646,000 incurred on rent and rates. Included in the expenditure on rent and rates is an amount of Kshs.517,175 incurred in the lease of a 1000 square feet rentable space at the National Bank of Kenya Building in

Kericho, that has not been occupied. No justification has been given for this nugatory expenditure.

12. Irregular Renewal of Medical Insurance Cover

The statement of financial performance reflects an amount of Kshs.1,039,305,000 (2017 – Kshs.707,829,000) under employee costs for the year ended 30 June 2018. As disclosed under Note 13 to the financial statements, the costs include an amount of Kshs.95,592,000 described as medical expenses. A review of available records indicates that the Authority entered into a one-year contract with an insurance company for provision of medical cover at a cost of Kshs.83,203,236 for the one year. On expiry of the contract period, the Authority renewed the cover without adhering to the procurement process, as stipulated under the Public Procurement and Disposal Act, 2015. It is therefore not clear whether the Authority got value for money upon the renewal of the medical cover.

13. Temporary Employees

Employee costs figure of Kshs.1,039,305,000 reflected in the statement of financial performance for the year ended 30 June 2018 includes salaries and wages totalling Kshs.839,789,000. The following unsatisfactory matters have, however, been noted:

- (i) After the formation of Agriculture and Food Authority vide the AFA's Act, 2013 and Crops Act, 2013, the Authority was to take up all the assets and liabilities of the defunct Authorities/ Boards. As a result, the Authority took over all the employees of the defunct institutions and the staff were put on interim appointments on 20 August 2014 regardless of their terms with former employers for a period of three months. Since August 2014 and up to the time of audit, the Authority has been extending these appointments for a period of three months for each term. To date the employees are still on interim contracts.
- (ii) It has been observed that the Authority is yet to harmonize the staff's terms and conditions of service despite the Authority contracting a consulting firm, to conduct a job evaluation and its request to Salary and Remuneration Commission vide its letter AFA/HRM/28 dated 20 July 2017, which provided that the Authority be allowed to finalize the process of harmonization of terms and placement of staff within two months from the date of the letter.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Agriculture and Food Authority 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 adverse 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. Except for the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, and under Other Matter sections, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Unresolved Prior Year Issues

1.1. Disbursements to Other Institutions

As reported in the previous year, an expenditure of Kshs.2,246,900,000 on disbursements to other institutions, that was recorded in the year ended 2016 has to date not been supported with documentary evidence.

1.2. Grant Reserves Account

The statement of changes in net assets for the year ended 30 June 2017 reflected an amount of Kshs.4,052,334,000 under grants reserve, which included a debit of Kshs.1,161,277,000. The latter amount further included an amount of Kshs.12,764,922 - used in the construction of bridges, Kshs.397,473,383 – for cane testing units in various sugar companies, Kshs.99,327,482 - grants to a sugar company, Kshs.548,613,716 - loans to five sugar companies, Kshs.100,013,757 - fertilizer subsidies and Kshs.3,084,538 - for reversal of some prior year receipts. These grant reserves were created from the defunct Sugar Development Fund, and were to be transferred to a Commodities Fund upon commencement of the Crops Act, 2013.

The Authority has, however, indicated that the grant reserves were not to be transferred to Commodities Fund. No satisfactory reasons have been provided for the fact that the Authority advanced some loans to sugar companies, while the function had been delegated to Commodities Fund.

1.3. Loans to Sugar Companies

During the financial year 2014/2015, 2015/2016 and 2016/2017 the Authority disbursed loans amounting to Kshs.1,915,619,021, Kshs.671,182,067 and Kshs.548,613,716, respectively to sugar companies through its Sugar Directorate. Examination of records available indicates that the loans aside from being unsecured, were disbursed without the authority of the Board.

In addition, the loans were disbursed from the current grants reserve, which was created from the defunct Sugar Development Fund. It has also not been possible to confirm the amount disbursed to each of the sugar companies. No documentary evidence has been provided to confirm that due diligence was done on the sugar companies before the loans were issued.

Further, the amounts disbursed by the Authority in the three years, all totalling Kshs.3,135,414,804 had not been captured in the financial statements for 2016/2017 and 2017/2018. As a result, the accounts receivables as at 30 June 2017 and 2018, respectively were understated by an amount of Kshs.3,135,414,804.

1.4. Transfer of Assets and Liabilities from Defunct Sugar Development Fund

Commodities Fund was constituted by merging the Sugar Development and Coffee Development Fund. The initial investment for the two funds was an amount of Kshs.1,178,153,000 from the defunct Coffee Development Fund. It was observed, while the amount of Kshs.1,178,153,000 was contributed from the Coffee Development Fund, the amount of Kshs. 4,052,300,000 that was to be contributed by the Sugar Development Fund was instead taken over by the Sugar Directorate under Agriculture and Food Authority (AFA).

Whereas the loan book (assets) of the former Coffee Development Fund were automatically taken over by the newly formed Commodities Fund, the same did not happen with the assets and liabilities held by the former Sugar Development Fund. An official handover showing how the assets and liabilities were shared between Agriculture and Food Authority (AFA) and Commodities Fund has been endorsed by the management of AFA and Commodities Fund. However, under the Crops Act, 2013, Commodities Fund remains a fund within AFA.

1.5. Loss on Foreign Exchange

The notes to the financial statements for the year ended 30 June 2017 showed a loss on foreign exchange transactions amounting to Kshs.1,203,000. However, no documentary evidence has been produced to show how the gain of Kshs.6,767,000 relating to the year ended 30 June 2016 was arrived at.

1.6. Finance Income - External Investments

The statement of financial performance for the year ended 30 June 2017 reflected an amount of Kshs.166,095,000) under finance income – external investments. The management did not provide evidence to show how an amount of Kshs.191,251,000 related to Sugar and Fibre Directorates out of Kshs.391,433,000 earned in the year 2016 was determined. In the absence of supporting documents or explanation, it is still not possible to confirm the accuracy and completeness of Kshs.391,433,000 described as finance income – external investment in 2016.

1.7. Finance Income – Outstanding Receivables

The statement of financial performance for the year ended 30 June 2017 reflected revenue from exchange transactions of Kshs.310,324,000). The amount relating to the year 2016 of Kshs.528,696,000, included an amount of Kshs.20,726,000 described as finance income – outstanding receivables. However, no supporting documents or explanations have been provided to date for an amount of Kshs.7,041,445, out of the

Kshs. 20,726,000 described as finance income – external investments in the year ended 30 June 2016.

1.8. Other Income

The statement of financial performance for the year ended 30 June 2017 reflected an amount of Kshs.310,324,000 under revenues from exchange transactions, which in the year 2016 included other income of Kshs.13,400,000 (revised in the year 2017, to Kshs.13,263,000). However, the management has not supported the figure of Kshs.5,463,287 out of the Kshs.13,400,000 with verifiable documentary evidence to date.

1.9. Unsupported Expenses

The statement of financial performance for the year ended 30 June 2015 reflected an amount of Kshs. 2,101,525,000 under expenses. A review of available records, however, revealed variances between the figures that were reflected in the financial statements and the figures reflected in the ledger as detailed below:

Item	Sub-Item	Financial statements Kshs	Ledger Kshs	Difference Kshs
Regulation & Compliance	Inspection & Surveillance	19,276,000	19,058,894	217,106
	Development & Review of Standards	5,744,000	-	5,744,000
Technical Advisory	Collaboration & Coordination	22,146,000	18,481,708	(3,664,292)
	Stakeholders Capacity building	45,119,000	-	45,119,000
	Crop Senses	3,663,000	-	3,663,000
Market Research & Development	Market Research & Development	10,036,000	7,677,834	2,358,166
	Value addition & Promotion	35,510,000	-	35,722,000
Repairs and maintenance	Repairs and maintenance	35,510,000	36,996	(1,486,041)
Total		177,296,000	82,214,477	95,081,513

The above variances have not been explained to date or action taken to restate the comparative figures in the subsequent years' financial statements.

1.10. Operating and Administrative Costs - Security Service Providers

The statement of financial performance for the year ended 30 June 2017 reflected operating/administrative expenses amounting to Kshs.639,325,000. However, the comparative figure for 2016 included an amount of Kshs.5,057,136 paid to a security firm for providing extra security services to HCDA's six depots. However, the management has not provided documentary evidence to date to confirm that the firm was contracted in compliance with Section 29(3) of the Public Procurement and Disposal Act, 2005.

1.11. Accuracy of the Financial Statements

The comparative figures under year 2014/15 reflected in the statement of financial position as at 30 June 2016 for the under-listed items differed with the audited figures in the financial statements for the year ended 30 June 2015 as detailed below:

Assets	Statement of Financial Position Comparative Figures for 2014/15 (Kshs'000)	2014/15 Financial Statements Audited Figures (Kshs'000)	Variance Kshs'000
Current Assets	5,684,755	2,221,047	3,463,708
Cash and cash equivalents			
Receivables from exchange transactions	2,556,774	137,110	2,419,664
Receivables from non-exchange transactions	34,055	195,949	(161,894)
Non-current assets	3,770,249	3,827,055	(56,806)
Property, plant and equipment			
Investments	389	389	-
Intangible assets	21,355	24,249	(2,894)
Long term receivables from	131,375	131,375	-
	<u>3,923,368</u>	<u>3,983,068</u>	<u>(59,700)</u>
Liabilities			
Trade and other payables from exchange transactions	1,578,974	795,488	783,486
Current provisions	17,186	23,360	(6,174)
Current portion of borrowings	68,680	68,689	(9)
Tax obligations	<u>1,973</u>	<u>2,380</u>	<u>(407)</u>
Non-current liabilities	383,562	56,742	326,820
Non-current provisions			
Borrowings	<u>709,358</u>	<u>763,494</u>	<u>(54,136)</u>
Reserves	9,547,012	4,884,989	4,662,023
Accumulated Deficit	<u>(117,271)</u>	<u>(67,445)</u>	<u>(49,826)</u>

In addition, the statement of financial performance for the year ended 30 June 2016 reflected comparative figures for 2014/15 that differed with the figures reflected in the audited financial statements for the year ended 30 June 2015 as detailed below:

Statement of Financial Performance	Statement of Performance Comparative Figures Under 2014/15 Kshs'000	2014/15 Audited Financial Statements Figures Kshs'000	Variance Kshs'000
Revenue from Non-Exchange Transactions			
Grants from development partners	600	-	600
Fines, penalties and levies	2,762,315	1,574,812	1,187,503
Licenses and permits	-	26,114	(26,114)
Revenue from exchange transactions			
Finance Income – External Investments	358,138	150,746	207,392
Other income	9,490	9,004	486
Expenses	608,017	603,197	4,820
Employee cost			
Board Expenses	2,164	4,551	(2,387)
Depreciation and amortization expenses	126,373	101,650	24,723
Repairs and maintenance	39,268	35,510	3,758
Technical and advisory	126,866	126,855	11
Market Research and development	196,931	197,152	(221)
Operating/Administrative Expenses	593,091	541,763	51,328
Disbursement to other Institutions	1,652,632	430,064	1,222,568

No adjusting journals have provided so far for audit review in support of the apparently restated comparative figures for 2014/15 reflected in the financial statements for 2015/16.

1.12. Long Outstanding and Unsupported Balances

As was also reported in the previous year, the audit of the defunct Horticultural Crops Development Authority for the year ended 31 July 2014 revealed certain balances in the financial statements that were at variance with balances reflected in supporting documents or were not supported at all. No supporting documentation or explanation was provided for payment in respect of security of Kshs.3,779,946, provision of Kshs.11,098,000, export licenses of Kshs.2,946,000, employees costs variance of Kshs.459,622, and GOK recurrent grant variance of Kshs.20,515,000.00 Further, the surrendered imprests, allowance to farmers, life insurance, tax arrears, horticultural research fund prepayments, interest on fixed deposit amounts and depreciation charges, all amounting to Kshs.114,667,000 were not supported with documentary evidence or any other workings.

Although management has indicated that adjustments were subsequently made to the financial statements, the supporting documents have not been provided for audit 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, except for the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, and under Other Matter sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unsupported Variation in the Contract Price

The Authority awarded a contract to M/S Twiga Construction Company for construction of an office building for the Tea Board of Kenya (Now Tea Directorate) at a contract price of Kshs.343,000,000 on 18 December 2012. The Form of Agreement indicated that the contract would be for building and civil works and the duration of the contract would be sixty-five weeks from 17 January 2013 to 18 April 2014.

Further, the addendum to the contract was not signed by the contractor and hence the revised contract sums from Kshs.399,858,465 to Kshs.422,300,450 as indicated in the penultimate certificate No 22 was not supported by a valid agreement. The actual amount of the revised contract sum is, therefore, not clear.

2. Construction of Cane Testing Units

The statement of financial performance reflects an expenditure of Kshs. 277,591,000 on repairs and maintenance, which includes, as disclosed in Note 16 to the financial statements, an amount of Kshs.245,140,000 incurred on repairs of plant and equipment. The expenditure on repairs and maintenance further includes an amount of Kshs.240,578,631 incurred on maintenance of cane testing units. A review of available records revealed the unsatisfactory matters indicated below in respect of cane testing units.

2.1. The First Pilot Cane Testing Unit

The idea of Cane Testing Units was embraced by the defunct Kenya Sugar Board in the financial year 2012/2013 and this was taken over by the Authority in succeeding years. By the time the Board was merged with other entities that form the Agriculture and Food Authority, an amount of Kshs.308,121,170 had been incurred in piloting the Cane Testing Units (CTUs) in both Nzoia Sugar Company and Sony Sugar Company.

The pilot project of setting up the Cane Testing Unit was started in Nzoia Sugar Company in the year 2012/2013. The budget for the project was Kshs.121,893,028. The contract to carry out the pilot project was awarded to Bosch Projects Limited of Durban South Africa, which had bid presented a bid of Kshs.137,095,735. There were additional costs to the project amounting to Kshs.29,025,435, which had not been factored in the cost of machinery bringing the total cost of the project to Kshs.166,121,170. No reason has given for the failure to have the cost of installation being part of the tender amount.

The defunct Board involved its local experts comprising of civil engineer, mechanical engineer and electrical engineer. The Project was to be a turnkey project and was handed over to the defunct Kenya Sugar Board on 16 November 2012. However, field visit on 14 March 2019 revealed that the cane testing unit was not in use. On enquiry, it was stated that the cane testing unit had some manual interventions which were due for an upgrade to remove the manual intervention.

Under the circumstances, it has not been possible to confirm that value for money was obtained in respect of the expenditure incurred on the Nzoia Sugar cane testing unit project.

2.2. The Second Pilot Cane Testing Unit

The second pilot project on Cane Testing Unit was established through a grant by the European Union's Sugar Reform Support Programme. The EU contracted Ducray Renoir of Mauritius at a cost of Kshs.142,000,000. Under the terms of agreement between the EU and the Sugar Directorate, under Agriculture and Food Authority, upon provisional handover of the facility and expiry of warrants, all maintenance requirements and obligations were to be taken over by the beneficiary. The following matters have been observed:

- (i) The project was completed in the year 2014 and a completion certificate DCI/SUCRE/2013/319-835 issued.
- (ii) The defunct Sugar Board did not involve the Department of Public Works but engaged an independent consultant.
- (iii) The cane testing unit appear not to be integrated to the payment system as had been envisaged and a calibration model for cane quality prediction is required for further refinement to reach an acceptable status.
- (iv) The equipment is rare in Kenya and therefore the expertise to repair it can only be found with the supplier whose representative is in South Africa. This makes it expensive to maintain.
- (v) Although the cane testing unit was handed over to the Sugar Directorate in 2014, it has never been used in an industrial way as it is always grounded.

- (vi) The technology in Sony Sugar is different from the technology installed in Nzoia Sugar and the other nine projects.

2.3. Additional Cane Testing Units in Nine Sugar Mills

The pilot projects informed the design taken in the additional nine projects. The Authority went ahead and on 5 December 2014 contracted a company to construct additional testing units in nine sugar companies, which included, Mumias, Kibos, Muhoroni, Chemilil, Sukari, Transmara, Butali, Kiskolkwale and West Kenya. The contract was to run between December 2014 to July 2017. The following matters have been observed:

- (i) The project included contract for design, supply, delivery, installation, testing, training, commissioning and handing over of nine cane testing units vide contract No. AFFA/T/04/2014 on 5 December 2014. It also included construction of nine laboratories in the cane testing units.
- (ii) The scope of works included core sampling equipment, dry laboratory cane analysis equipment, information capture and management system, wet laboratory equipment, general training, specialist training and consultancy.
- (iii) The Authority did not involve the Department of Public Works but used their own experts to supervise, monitor and ensure that the Bill of Quantities are followed to the end.
- (iv) The Authority is expected to pay annual maintenance fee of Kshs.240,578,631 for the Cane Testing Units and Kshs. 36,757,152 in laboratory license fees, which appear to be expensive.
- (v) The total cost for constructing the nine cane testing units amounted to Kshs.1,807,171,706 as at 30 June 2018 besides an additional amount of Kshs.240,578,631 incurred on maintenance costs.
- (vi) The projects have not been operationalized at an industrial level and therefore the benefits of the cane testing units have not been realized seven years since their initial launch.
- (vii) In addition, it is not clear whether the cane testing units were useful to the sugar mills considering that up to date the sugar mills have not fully embraced payment of farmers based on sucrose content as envisaged when the project was initiated.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters discussed in the Basis for Adverse Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance, and under Other Matter sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Substantive Board Members

The term of the interim members expired and as a result, the Authority functioned without a substantive board from 7 November 2017 to close of the financial year under review (30 June 2018).

2. Lack of Detailed Board Members' Profiles

Audit examination of the interim board of directors profiles revealed that the bio data was not exhaustive to include details as stipulated in the Mwongozo Code such as work experience.

3. Board Minutes

Interim board of directors for the Authority held several meetings for the different committees namely Finance and Strategy, Human Resource, Audit and Governance and Technical during the year under review. An audit examination of board expenses revealed unsigned board minutes, which could not be authenticated and hence the Authority cannot rely on the deliberations as passed by the various board committees.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Agriculture and Food Authority 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.

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 entity 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 noncompliance. 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.

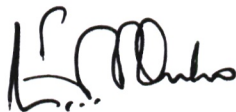
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- 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 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 ability of Agriculture and Food Authority to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease 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 Agriculture and Food Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

13 June 2019

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2018

XII. STATEMENT OF FINANCIAL PERFORMANCE

	NOTES	2017/2018 Kshs '000	2016/2017 Kshs '000
Revenue from non-exchange transactions			
Government grants –(Recurrent & Development)	6	2,423,501	1,610,501
Grants from development partners	7	3,610	51,700
Fines, licenses, permit, penalties and levies	8	207,914	313,058
		2,635,025	1,975,259
Revenue from exchange transactions			
Rental revenue from facilities and equipment	9	132,475	115,806
Finance income - External investments	10	184,121	166,095
Finance income - outstanding receivables	11	24,097	27,964
Other income	12	167	459
		340,859	310,324
Total revenue		2,975,884	2,285,583
Expenses			
Employee cost	13	1,039,305	707,829
Board Expenses	14	9,767	11,848
Depreciation and amortization expense	15	224,307	175,246
Repairs and maintenance	16	277,591	36,637
Regulation and compliance	17	102,214	70,560
Technical and advisory	18	138,582	183,816
Market research and development	19	246,049	176,964
Operating / Administrative Expenses	20	621,773	639,325
Disbursements to other Institutions	21	-	2,000
Finance costs	22	13,456	13,192
Total expenses		2,673,044	2,017,417
Other gains/(losses)			
Gain/(Losses) on foreign exchange transactions	23	(1,266)	1,023
Surplus for the period		301,575	269,189

The notes set out on pages 36 to 54 to form an integral part of the Financial Statements

Interim Director General

Head, Finance

Chairman of the Board

Sign.....

Sign.....

Sign.....

Date.....

Date.....

Date.....

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2018

XIII. STATEMENT OF FINANCIAL POSITION

	NOTES	2017/2018 Kshs '000	2016/2017 Kshs '000
Current assets			
Cash and cash equivalents	24	3,311,549	2,825,458
Receivables from exchange transactions	25	3,340,855	3,335,913
Receivables from non-exchange transactions	26	19,604	20,232
		6,672,008	6,181,604
Non-current assets			
Property, plant and equipment	36	10,827,813	3,672,606
Investments	34	389	389
Intangible assets (Software, Trademarks and Patents)	37	41,968	42,563
Long term receivables from non-exchange transactions	35	-	131,375
Sub total		10,870,169	3,846,934
Total assets		17,542,178	10,028,538
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	27	724,084	849,568
Refundable deposits from customers	28	3,867	4,323
Current Provisions	29	97,004	102,406
Current portion of borrowings	30	-	68,933
Employee benefit obligation	31	317,695	14,837
Tax Obligations	32	512	504
Sub total		1,143,163	1,040,570
Non-current liabilities			
Non- Current provisions	33	326,820	326,820
Borrowings	30	-	735,230
Sub total		326,820	1,062,050
Total liabilities		1,469,983	2,102,619
Net assets		16,072,195	7,925,918
Reserves		15,010,638	7,169,371
Accumulated surplus		1,061,556	756,547
Total net assets and liabilities		16,072,195	7,925,918

The Financial Statements set out on pages 30 to 54 were signed on behalf of the Board of Directors by:-

Interim Director General

Head, Finance

Chairman of the Board

Sign.....

Sign.....


Sign.....

Date.....

Date. 8/4/2019.

Date.....

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2018

XIV. STATEMENT OF CHANGES IN NET ASSETS.

	Capital reserve Kshs '000	Grants reserve Kshs '000	Revaluatio n Reserve Kshs '000	General/ Accumulat ed surplus Kshs '000	Total Kshs '000
Balance as at 31st July 2017	533,047	5,213,611	2,583,989	487,358	8,818,006
Surplus/(deficit) for the period	-	-	-	269,189	269,189
Transfers to/from accumulated surplus	-	(1,161,277)	-	-	(1,161,277)
Balance as at 30 JUNE 2017	533,047	4,052,334	2,583,989	756,547	7,925,918
Surplus for the period					-
Revaluation of Assets	-	-	7,164,694	301,575	7,466,269
Government Loan write-off	686,243	-	-	-	686,243
Transfers to/from accumulated surplus	-	(9,670)	-	3,434	(6,236)
Balance as at 30 JUNE 2018	1,219,291	4,042,664	9,748,684	1,061,556	16,072,195

XV. STATEMENT OF CASH FLOWS

	NOTES	2017/2018	2016/2017
		Kshs '000	Kshs '000
Cash generated from operations			
Surplus for the year before tax		301,575	269,189
Adjusted for:			
Depreciation	15	224,307	175,246
Gains and losses on disposal of assets/ foreign exchange	23	1,266	(1,023)
Contribution to provisions			(11,017)
Transfers to/from accumulated surplus		(6,236)	(1,161,277)
Finance income	10 & 11	(208,218)	(194,059)
Finance cost	22	13,456	13,192
Working capital adjustments:			
Increase/Decrease in inventory		-	3,535
Increase/Decrease in receivables		127,062	88,953
Increase/Decrease in payables		(632,642)	(423,249)
Net cash flows from operating activities		(179,430)	(1,240,510)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	36	(214,219)	(86,610)
Gains and losses on disposal of assets/ foreign exchange		(1,266)	1,023
Finance income	10 & 11	208,218	194,059
Net cash flows used in investing activities		(7,267)	108,472
Cash flows from financing activities			
Finance cost	22	(13,456)	(13,192)
Write off of borrowings		686,243	-
Net cash flows used in financing activities		672,788	(13,192)
Net increase/(decrease) in cash and cash equivalents		486,091	(1,145,230)
Cash and cash equivalents at 1 July 2017		2,825,458	3,970,688
Cash and cash equivalents at 30 June 2018	21	3,311,549	2,825,458

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
ITEM DESCRIPTION	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
EXPECTED REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Total Internally Generated Income	160,581	-	160,581	207,914	47,333
Government Recurrent Grant	2,497,501	-	2,497,501	2,423,501	(74,000)
Grants from Development Partners	45,126	-	45,126	3,610	(41,516)
Other Recurrent Revenue	278,398	-	278,398	340,859	62,462
TOTAL REVENUE	2,981,606	-	2,981,606	2,975,884	(5,721)
Personnel cost	1,079,727	-	1,079,727	1,039,305	40,422
Board expense	30,505	-	30,505	9,767	20,738
Disbursements	-	-	-	-	-
Operating and Administration costs	1,367,334	-	1,367,334	1,108,618	258,716
Repairs and maintenance	313,152	-	313,152	277,591	35,561
Finance cost	13,192	-	13,192	13,456	(264)
Depreciation and Amortization	147,456	-	147,456	205,505	(58,049)
TOTAL EXPENDITURE	2,951,366	-	2,951,366	2,654,241	297,124
Total Other Gains/(Losses)	-	-	-	(1,266)	1,266
SURPLUS	30,240	-	30,240	320,377	292,669
CAPITAL BUDGET					
Buildings	336,500	-	336,500	45,627	290,873
Plant and Equipment	20,000	-	20,000	-	20,000
Laboratory Equipment	-	-	-	-	-
Automobiles	60,200	-	60,200	90,107	(29,907)
Computer and Electronic Equipment	65,776	-	65,776	59,251	6,525
Office and Communication Equipment	3,675	-	3,675	914	2,761
Furniture and Fittings	22,354	-	22,354	18,138	4,216
TOTAL CAPITAL BUDGET	508,505	-	508,505	214,037	294,468

VARIANCE ANALYSIS

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

1. Government Grants

The total amount received by the Authority in the FY 2017/18 is Kshs 2.424 billion against a target of Kshs. 2.498 Million registering a variance of Kshs 74 Million. This amount was transferred from our allocation by the Parent Ministry to finance the budget of Pyrethrum and Processing Company.

2. Grant from Development Partners

The total amount received by the Authority in the FY 2017/18 is Kshs 3.6 million against a target of Kshs. 45.126 million registering a variance of Kshs 41.52 Million.

3. Depreciation and Amortisation

The Authority had budgeted to spend Kshs. 147.45 Million on the depreciation of assets in year but the actual depreciation was Kshs 205.5 Million, registering a negative variance of Kshs 58.05 million. This was occasioned by revaluation of assets during the year.

4. Other Income

Other income registered positive variance of Kshs. 62.46 million due to increase in interest income.

5. Wages, salaries & benefits.

The Authority had budgeted to spend Kshs. 1.23 billion on staff salaries and wages in year but the actual expenditure was Kshs. 1.039 billion, registering a positive variance of Kshs 191.178 million. The positive variance arose from non-payment of the anticipated severance pay after job evaluation and harmonization process.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Agriculture and Food Authority is established by and derives its authority and accountability from Agriculture and Food Authority and Crops Act. AFA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity to regulate all scheduled crops as provided in the Crops Act

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Agriculture and Food Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agriculture And Food Authority and all values are rounded to the nearest thousand (Kshs. '000'). The accounting policies have been applied to all transactions in the year under review.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards and interpretations in IPSASs 33-38. According to IPSASs 33-38, a first-time adopter shall apply these Standards if its first IPSAS financial statements are for a period beginning on or after January 1, 2017. However, the Authority adopted IPSAS Accrual in August 2014 and presented its first IPSAS Accrual Financial Statements in June 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free

from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Agriculture and Food Authority and can be measured reliably.

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

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

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

Interest income

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

Rental income

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

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

Agriculture and Food Authority is a State Corporation created from the merger of defunct agricultural state corporations that were exempted from taxation in accordance with 1st schedule of the Income Tax Act Cap 470 (Revised 2014). According to Section 13 & 14 of the Income Tax Act 2014, The Tea Board of Kenya, The Pyrethrum Board of Kenya, The Sisal Board of Kenya, The Horticultural Crops Development Authority and The Cotton Board of Kenya were exempted from income tax. The Authority is funded from the consolidated fund and by way of government grants and does not have other significant sources of income. Consequently, the Authority is only registered for PAYE, VAT and Income taxes.

d) Investment property – IPSAS 16

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

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

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

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

e) Property, plant and equipment – IPSAS 17

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

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

Asset	Depreciation Rate	Useful Life
Land		30yrs
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Motor Vehicles	25.00%	4yrs
Computers	33.30%	3yrs
Office & Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

f) Intangible assets – IPSAS 31

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

Asset	Depreciation Rate	Useful Life
Intangible Assets	20%	5yrs

g) Leases – IPSAS 13

Leases are broadly categorised into Finance leases and Operating Leases. Finance Lease are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. However, the Authority had no assets categorized as finance lease as at the date of reporting.

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. As at the time of the reporting the Authority had entered into various lease agreements with several tenants occupying its premises and vice-versa with landlords it has leased properties from. Where the Authority has leased out its premises, assets are recognized and presented in the financial position according to the nature of the assets and lease income recognized as revenue on a straight-line basis over the lease term. Similarly, costs including depreciation, incurred in earning lease revenue are recognised as an expense. This is in accordance with IPSAS 13: Leases, which states that operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

h) Loans and receivables

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

i) Financial liabilities

Initial recognition and measurement

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

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

j) Inventories – IPSAS 12

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

k) Contingent liabilities

The Agriculture and Food Authority shall not recognize but has disclosed contingent liabilities in the financial statements for 2016-17 in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. These contingent liabilities arise from the following ongoing court cases:-

- Case HCCC NO.152 of 2004 for Rehabilitation of Kahawa House
- Court case no. HCCC NO. 1285 of 2001 Cotton Board of Kenya =vs= John Mututho
- Court case no. HCCCNO. 1205 of 2015 Horticultural Crops Development Authority =Vs= Sakirr Properties Ltd
- Court case no. HCCCNO. 108 of 2010 Coffee Board of Kenya =Vs= Sotua Development Company Ltd
- Rodi Orege and Co. Advocates legal fee

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l) Contingent Assets

The Agriculture and Food Authority shall not recognize but has disclosed contingent assets in the financial statements for year in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. The contingent asset relates to the parcel of land the defunct Coconut Development Authority applied for within Kenya the Agricultural Research Institute (KARI) through the Ministry of Agriculture for the purpose of constructing Headquarters at Mtwapa. The Authority is yet to receive the ownership documents and therefore treats it as a contingent asset.

m) Nature and purpose of reserves – IPSAS 1

In accordance with IPSAS 1: Presentation of financial Statements, where an entity has no share capital, it shall disclose net assets/ equity, either on the face of the statement of financial position or in the notes, showing separately: contributed capital, accumulated surpluses, reserves (including a description of the nature and purpose of each reserve within net assets/ equity; and minority interests. The Authority maintains the following reserves for the purposes stated:-

1. **Capital Reserve** – This represents the seed money/capital advanced or granted by the government for establishment of the defunct State Corporations forming the Authority. It is primary reserve that finances major assets of the Authority.
2. **Revaluation Reserve** – This is the reserve created from revaluation of fixed assets i.e. the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17: Plant, Property and Equipment. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements.
3. **General Reserve** – This is created from accumulated surplus of the Authority and is used to strengthen the liquid resources of the Authority.
4. **Grant Reserve** – This relates to grants received from the government for development of the sugar industry

n) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

o) Foreign currency transactions – IPSAS 4

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

p) Borrowing costs – IPSAS 5

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

q) Related parties – IPSAS 20

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

r) Events after the Reporting Date – IPSAS 14

These are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. These events could be those that provide evidence of conditions that existed at the reporting date and those indicative of conditions that arose after the reporting date.

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, 2018.

s) 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.

t) Comparative figures

The comparative balances reflected in the financial statements are for a period ended 30th June 2017 while the financial year ended 30th June 2018.

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u) Financial Instruments: Disclosures – IPSAS 30

In accordance with paragraph 38 of IPSAS 30: Financial Instruments - Disclosures, an entity shall disclose information that enables users of its financial statements to evaluate the nature and the extent of risks arising from the financial instruments to which the entity is exposed to at the end of the reporting period. These risks typically include, but not limited to credit risks, liquidity risks and market risks. These financial instruments includes information on financial assets at fair value through surplus and or deficit, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through surplus and or deficit and financial liabilities measured at amortized cost.

As at the reporting date, the authority did not have any financial instruments that gives rise to both. Financial asset for one entity and a financial liability for another entity as defined in IPSAS 28: Financial Instruments –Presentation. Consequently there were no qualitative and quantitative disclosures on risks arising from financial instruments by the Authority as at the reporting date.

v) Related Party Disclosures – IPSAS 20

Paragraph 25 of IPSAS 20: Related Party Disclosures, an entity shall disclose related party relationships where control exists, irrespective of whether there has been transactions between related parties. Paragraph 27 requires that ‘in respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/ recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm’s length in the same circumstances, the reporting entity shall disclose; the nature of related party relationships, types of transactions and the element of the transactions.

AFA as a State Corporation under the Ministry of Agriculture, Livestock and Fisheries or the Ministry of Agriculture operates under the guidance and Direction of the Ministry. The Interim Board existing at the reporting date was appointed by and reports to the Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries. Furthermore, the Authority received government grants amounting to Kshs. 2.424 billion through the ministry. However, even though some of the major decisions regarding operations of the authority are subject to the approval by the ministry, the Authority operates with a high degree of autonomy.

Furthermore, in the previous year, the Authority owed the government Kshs. 672.8 million loan that was issued by the Government of Kenya to KPCU through the defunct Coffee Board of Kenya. In the books of the Authority, the loan was being carried as an asset to KPCU and as a liability to GoK. Since the amount was disbursed by KPCU to farmers, loan recoveries were to be remitted to KPC and then submit to Coffee Board of Kenya for onward repayment of the GoK loan. The defunct CBK had written to treasury for the amount to be written off so that it can be expunged from the books of the accounts. During the year under audit, the National Treasury wrote-off the loan plus accrued interest. Consequently, Kshs. 131 million which was being carried as a liability and as an asset has been removed from the books of the accounts. The remaining amount has been capitalised and form part of the capital reserve.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

Where the Agriculture and Food Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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6. Transfers from the Government (Grants)

	2017/2018	2016/2017
	Shs 000	Shs 000
Government Grants-Recurrent	2,423,501	1,610,501
Total	2,423,501	1,610,501

The amount was received from the Ministry of Agriculture, Livestock, Fisheries and Irrigation as follows;

	Transfer	Document	Amount
Type Of Transfer	Date	Number	Kshs 000
Unconditional grant			
Recurrent Grant from Government: EFT Invoices	08/08/2017	BRCTP0153	156,093.81
Recurrent Grant from Government: EFT Invoices	21/08/2017	BRCTP0184	52,031.27
Recurrent Grant from Government: EFT Invoices	01/09/2017	BRCTP0185	208,125.08
Recurrent Grant from Government: EFT Invoices	06/10/2017	BRCTP0201	208,125.08
Recurrent Grant from Government: EFT Invoices	06/11/2017	BRCTP0220	208,125.08
Recurrent Grant from Government: EFT Invoices	30/11/2017	BRCTP0232	208,125.08
Recurrent Grant from Government: EFT Invoices	27/12/2017	BRCTP0241	208,125.08
Recurrent Grant from Government: EFT Invoices	02/02/2018	BRCTP0245	208,125.08
Recurrent Grant from Government: EFT Invoices	02/03/2018	BRCTP0269	208,125.08
Recurrent Grant from Government: EFT Invoices	03/04/2018	BRCTP0270	208,125.08
Recurrent Grant from Government: EFT Invoices	03/05/2018	BRCTP0281	208,125.08
Recurrent Grant from Government: EFT Invoices	31/05/2018	BRCTP0295	208,125.08
Recurrent Grant from Government: EFT Invoices	29/06/2018	BRCTP0302	134,125.08
Total unconditional government grant			2,423,500.96
Conditional grant	N/A	N/A	N/A
Total government grant			2,423,500.96

7. Grants from Development Partners

	2017/2018	2016/2017
	Shs 000	Shs 000
Government Grants-Recurrent	3,610	51,700
Total	3,610	51,700

8. Levies, Fees, Licenses, Permits and cess

	2017/2018	2016/2017
	Shs 000	Shs 000
Levies	9,070	130,382
Licenses and Permits	79,691	76,088
Fees	-	585

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Cess	101,551	90,896
Others	17,602	15,108
Total	207,914	313,058

9. Rental revenue from facilities and equipment

	2017/2018	2016/2017
	Shs 000	Shs 000
Rental Income from Buildings	109,244	92,575
Hire of Facility/equipment	23,231	23,231
Total rentals	132,475	115,806

10. Finance income - external investments

	2017/2018	2016/2017
	Shs 000	Shs 000
Fixed deposits	184,121	166,095
Total finance income – external investments	184,121	166,095

11. Finance income - outstanding receivables

	2017/2018	2016/2017
	Shs 000	Shs 000
Accrued Interest	24,097	27,964
Total receivables finance income – outstanding	24,097	27,964

12. Other income

	2017/2018	2016/2017
	Shs 000	Shs 000
Others	167	459
Total other income	167	459

13. Employee costs

	2017/2018	2016/2017
	Shs 000	Shs 000
Employee related costs - salaries and wages	839,789	517,353
Employee related costs - NSSF & contributions to pensions	1,236	1,419
medical expenses	95,592	90,533
Staff Gratuities	69,894	65,340
Others	32,794	33,183
Total	1,039,305	707,829

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14. Board Expenses

	2017/2018	2016/2017
	Shs 000	Shs 000
Sitting Allowance	4,341	3666.4
Accommodation and Subsistence	2,276	3,558
Directors Travel	1,540	2592
Chairman's Honorarium	659	-
Others	952	2,032
Total Board Expenses	9,767	11,848

15. Depreciation and amortization expense

	2017/2018	2016/2017
	Shs 000	Shs 000
Property, plant and equipment	211,014	153,768
Intangible assets	13,294	21,478
Total depreciation and amortization	224,307	175,246

16. Repairs and maintenance

	2017/2018	2016/2017
	Shs 000	Shs 000
Buildings	6,207	9,259
Plant and Equipment	245,140	3,445
Automobiles	17,838	14,720
Computer and Electronic Equipment	6,641	7,048
Office and Communication Equipment	977	696
Furniture and Fittings	788	1,470
Total	277,591	36,637

17. Regulation and Compliance

	2017/2018	2016/2017
	Shs 000	Shs 000
Registration & licensing	12,268	6,905
Inspections & Surveillance	40,015	28,195
Development and Review of Standards	16,813	8,357
Quality analysis	4,520	5,829
Stakeholders For a	16,405	8,275
International Fora/Meetings	10,480	10,836
Consultancies	1,712	2,164
Total	102,214	70,560

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18. Technical and advisory

	2017/2018	2016/2017
	Shs 000	Shs 000
Collaborations and coordination	29,759	34,303
Stakeholders capacity building	58,643	41,842
Environmental sustainability	5,935	4,756
International Fora/Meetings	6,521	16,457
Seeds supply & management	5,039	6,286
Crop census	27,992	26,925
Consultancies	4,693	2,416
Sugar Reform Support Project	-	50831
Total	138,582	183,816

19. Market Research and Development

	2017/2018	2016/2017
	Shs 000	Shs 000
Generic Promotion	146,962	82,064
Market Research & development	17,807	19,932
Subscriptions to Associations	13,720	14,928
International conference	37,838	38,742
Value Addition promotion	24,264	20,981
Market registration	5,458	317
Total	246,049	176,964

20. Operating / Administrative expenses

	2017/2018	2016/2017
	Shs 000	Shs 000
Printing and Stationery	14,645	21,960
Communication Telephone and Postage	23,326	21,039
Vehicle Running Expenses	28,986	26,978
Insurance Expenses	18,996	8,152
Local Travel Expenses	128,754	132,272
International travel	7,200	11,938
Security	47,647	22,210
Electricity and water	31,007	25,042
Rent and rates	24,646	29,755
Computer Accessories	9,950	8,723
Record management	2,671	1,298
Cleaning, Garbage & Sanitary	14,769	14,658
Management Fees/Refunds	2,516	5,451
Newspapers, Periodicals, Journals and subscriptions	3,479	2,801

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Advertising and Publicity	2,717	521
Bank Charges	4,571	5,277
Software licence	-	-
Public awareness	-	-
Staff Welfare	34,277	36,417
Trainings, Seminar, Retreats and Workshops and Conferences	60,077	83,400
Consultancies	12,633	2,530
Subscriptions to Professional Bodies	1,214	1,284
Staff Uniforms	2,259	740
Team Building	2,337	1,205
Audit Fees	7,378	6,292
Internal/ ISO Audits	24,418	24,768
Legal Services	53,953	78,137
Public relations and corporate branding	7,163	3,437
Shows , Exhibitions & trade fairs	37,439	33,582
Corporate Social Responsibility	1,997	810
General Expenses	10,748	11,108
Provision for bad debts and others	-	17,539
Total general expenses	621,773	639,325

21. Disbursements to other Institutions

	2017/2018	2016/2017
	Shs 000	Shs 000
Research Institute	-	2,000
Total Disbursements	-	2,000

22. Finance costs

	2017/2018	2016/2017
	Shs 000	Shs 000
Interest on Borrowings	13,456	13,192
Total finance costs	13,456	13,192

23. Gain/ losses on foreign exchange transactions

	2017/2018	2016/2017
	Shs 000	Shs 000
Loss on foreign exchange transactions	(1,266)	1,023
	(1,266)	1,023

24. Cash and cash equivalents

	2017/2018	2016/2017
	Shs 000	Shs 000
Bank	1,185,797	358,919
Cash-on-hand and in transit	45	55
Short-term deposits	1,927,980	2,271,055
Collateral Deposit	197,728	195,429
Total cash and cash equivalents	3,311,549	2,825,458

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25. Receivables from exchange transactions

	2017/2018	2016/2017
	Shs 000	Shs 000
Current receivables		
Rent debtors	26,118	15,739
Trade Debtors	3,314,704	3,318,809
Prepayments	33	1,366
Total current receivables	3,340,855	3,335,913

26. Receivables from non-exchange contracts

	2017/2018	2016/2017
	Shs 000	Shs 000
Current receivables		
Staff debtors	10,278	14,320
Staff Advance	2,711	428
Other Receivable	6,615	5,484
Total current receivables	19,604	20,232

27. Trade and other payables from exchange transactions

	2017/2018	2016/2017
	Shs 000	Shs 000
Trade payables	711,445	707,644
Payments received in advance- CL	3,000	6,164
Third party payable	7,655	107,659
Other payables	1,961	28,067
Overdrawn accounts	23	34
Total trade and other payables	724,084	849,568

28. Refundable deposits from customers

	2017/2018	2016/2017
	Shs 000	Shs 000
Consumer deposits	3,867	4,323
Total deposits	3,867	4,323

29. Current Provisions

	Contingent	Other	Performance	Total
	Liabilities	Provisions	Bonuses	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Balance at the beginning of the year	-	102,406	-	102,406
Additional provisional raised	-	18,586	-	18,586
Provision Utilized	-	(23,988)	-	(23,988)
Balance as at 30 June 2016	-	97,004	-	97,004

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30. Current Portion of Borrowings

	2017/2018 Shs 000	2016/2017 Shs 000
GOK Loan	-	672,788
KPCU Loan	-	131,375
Less: total current portion of bank loans	-	(68,933)
Total non-current borrowings	-	735,230

- During the year the government loan amounting to Kshs. 672.8 million loan that was issued by the Government of Kenya to KPCU through the defunct Coffee Board of Kenya was written off. In the books of the Authority, the loan was being carried as an asset to KPCU and as a liability to GoK. Since the amount was disbursed by KPCU to farmers, loan recoveries were to be remitted to KPC and then submit to Coffee Board of Kenya for onward repayment of the GoK loan. The National Treasury wrote-off the loan plus accrued interest after the financial year end but before they were published. Consequently, in accordance with IPSAS 14: *Events After Reporting Date*, Kshs. 131 million which was being carried as a liability and as an asset has been removed from the books of the accounts. The remaining amount has been capitalized and forms part of the capital reserve.
- In transferring the Sugar Development Fund (SDF) loans portfolio to the Commodities Fund, the Fund declined to take up an amount of Kshs. 209,927,396 which now stands as a disputed amount subject to further discussion. Consequently, the amount has not been included in the Authority's financial statements but given as a disclosure.

31. Pensions and other post-employment

benefit plans	Defined Contribution		Total Shs 000
	Defined Benefit Plan Shs 000	Plan Shs 000	
Current benefit obligation	213		213
Non-current benefit obligation	317,483		317,483
Total as at 30th June 2018	317,696	-	317,696
Total as at 30th June 2017	14,837		14,837

32. Tax Obligations

	2017/2018 Shs 000	2016/2017 Shs 000
VAT	512	504
Withholding Tax	-	-
Total deferred income	512	504

33. Non- Current provisions

	Contingent Liabilities Shs 000	Other Provisions Shs 000	Performance Bonuses Shs 000	Total Shs 000
Balance at the beginning of the year	-	326,820	-	326,820
Balance as at 30 June 2018	-	326,820	-	326,820
Balance as at 30 June 2017	-	326,820	-	326,820

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34. Investments	2017/2018	2016/2017
	Shs 000	Shs 000
Investments	389	389
Total deferred income	389	389

The investment relates to investment in establishment of the Kenya Coffee Auctions before liberalisation of the coffee industry in 2007. After, liberalization Treasury granted approval for the winding up of the coffee exchange but the cost of the investment was never removed from the books of Coffee Board of Kenya. Prior attempts to trace the file at the company registry in order to institute the liquidation process has not borne any fruit and was informed that the file is missing. However, we have written a complaint to the registrar of companies requesting for formal communication on the status of the file.

35. Long term receivables from non-exchange transactions	2017/2018	2016/2017
	Shs 000	Shs 000
Long term receivables from non-exchange		131,375
Total deferred income	-	131,375

During the year the government loan was written off. This related to the loan issued to KPCU from the Government of Kenya through Coffee Board. The amounts was being carried as an asset to KPCU and a liability to GoK. CBK was only a Channel and KPCU was supposed to make the recoveries and submit to Coffee Board.

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36. Property, plant and equipment

	Land	Buildings	Plant and Equipment	Automobiles	Computer & Electronic Equipment	Office and Communication Equipment	Furniture & Fittings	Temporary Buildings	WIP	TOTAL
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 1st July 2016	572,211	2,902,808	468,018	313,958	121,231	157,152	135,958	2,595	395,390	5,069,320
Additions	-	-	407	37,570	12,123	14,657	2,136	-	19,718	86,610
Transfers/adjustments	-	2,595	-	-	- 2,410	-	-	-2,595	-	-2,410
At 30 June 2017	572,211	2,905,403	468,425	351,528	130,943	171,809	138,093	-	415,107	5,153,519
Additions	-	-	16,330	90,107	46,558	1,096	18,138	-	29,297	201,526
Transfers/adjustments	-	444,404	-	-	- 20,671	20,671.37	-	-	- 444,404	-
Revaluation	6,806,573	- 221,607	-	163,160	-	-	-	-	-	6,421,805
At 31 June 2018	7,378,784	3,128,200	484,755	278,474	156,830	193,576	156,232	-	-	11,776,850
Depreciation and impairment										
As at 1st July 2016	8,389	396,580	461,920	225,294	90,084	51,612	92,492	2,595	-	1,328,967
Depreciation	4,194	64,359	1,014	41,477	20,382	15,870	6,472	-	-	153,768
Elimination on disposal	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	2,595	-	-	- 1,822	-	-	-2,595	-	- 1,822
At 30 June 2017	12,583	463,534	462,934	266,772	108,644	67,482	98,964	-	-	1,480,913
Elimination on revaluation	- 12,583	- 463,534	-	- 266,773	-	-	-	-	-	- 742,890
Depreciation	9,100	78,205	3,160	69,619	23,203	18,784	8,944	-	-	211,014
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-
At 31 June 2018	9,100	78,205	466,094	69,618	131,847	86,266	107,907	-	-	949,037
Net book values										
At 31 June 2018	7,369,684	3,049,995	18,661	208,857	24,983	107,310	48,324	-	-	10,827,813
At 30 June 2017	559,628	2,441,869	5,490	84,756	22,299	104,327	39,130	-	415,107	3,672,606

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37. Intangible Assets

	2017/2018	2016/2017
	Kshs '000	Kshs '000
COST		
At July 1	107,390	104,980
WIP	12,693	-
Disposals	-	-
Transfer/adjustments	-	2,410
At June 30	<u>120,083</u>	<u>107,390</u>
AMORTISATION		
At July 1,	64,828	41,528
Charge for the year	13,294	21,478
Disposals	-	-
Impairment loss	-	-
Transfer/adjustments	-	1,822
At June 30	<u>78,121</u>	<u>64,828</u>
NET BOOK VALUE		
At June 30	<u>41,962</u>	<u>42,563</u>

38. FINANCIAL RISK MANAGEMENT

AFA overall risk management programme focuses on unpredictability of changes in the operational environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

The Authority does not have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

(ii) Liquidity risk management

The Authority depend on government grants to finance most of its operations. This may expose the Authority to liquidity risk due to non-receipt or delays in receipt of government grant. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

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

APPENDIX 1: 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.


Referen ce 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)
2	Case HCCC NO.152 of 2004 for Rehabilitation of Kahawa House	The refurbishment done on Kahawa House in 1998/99 was due to the bomb blast that rnocked the Nairobi City in 1998 necessitating repairs to the windows and window fixtures and frames in the building. There was a need to refurbish the building for use which was approved by the Board in its sitting of 18th August 2000.The committee had noted that the building was in a pathetic state and needed urgent rehabilitation.	Interim Director General	Not resolved	N/A
2.4	Court case no. HCCC NO. 1285 of 2001 Cotton Board of Kenya =vs= John Mututho	According to the judgement of the Court of Appeal dated 25th September 2015, the purchaser (Mr. John Mututho) upon the hammer paid Kshs. 8,375,000= being 25% of the bid and promised to pay the balance within six months of the agreement of which he did not honour within the timeline. Consequently, the case was ruled in favour of the Authority and the Authority is pursuing the title documents for the property.	Interim Director General	Not resolved	N/A

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APPENDIX 2: INTER ENTITY TRANSFERS

ENTITY NAME	MINISTRY OF AGRICULTURE – STATE DEPARTMENT OF AGRICULTURE		
		Amount	Relating to FY
Recurrent Grant	Bank Statement Date	Kshs 000	
	08/08/2017	156,093.81	2017-18
	21/08/2017	52,031.27	“
	01/09/2017	208,125.08	“
	06/10/2017	208,125.08	“
	06/11/2017	208,125.08	“
	30/11/2017	208,125.08	“
	27/12/2017	208,125.08	“
	02/02/2018	208,125.08	“
	02/03/2018	208,125.08	“
	03/04/2018	208,125.08	“
	03/05/2018	208,125.08	“
	31/05/2018	208,125.08	“
	29/06/2018	134,125.08	“
		2,423,500.96	

Interim Director General

Signature 
 Date..... 8/04/2019

Interim Head of Finance

Signature 
 Date..... 8/4/2019.