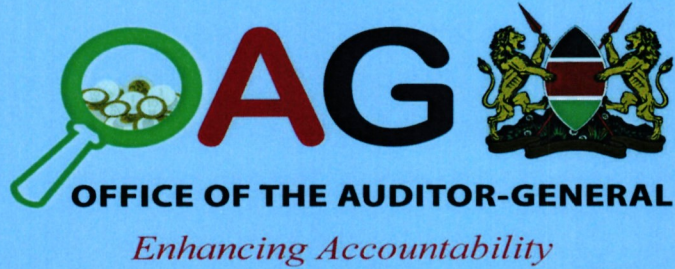


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: ^{Tue} 01 OCT 2020

DAY

OF

TABLED
BY:

Leaders of Opposition

THE AUDITOR-GENERAL

MEMBER OF PARLIAMENT

Francis Oanda

ON

**SMALL-SCALE IRRIGATION AND VALUE
ADDITION PROJECT
(ADF LOAN NO.2000130014530
AND GRANT NO.5570155000751)**

**FOR THE YEAR ENDED
30 JUNE, 2019**

**STATE DEPARTMENT FOR CROPS
DEVELOPMENT**



Project Name....SMALL SCALE IRRIGATION AND VALUE ADDITION PROJECT

Implementing Entity....STATE DEPARTMENT FOR CROPS DEVELOPMENT

PROJECT GRANT/CREDIT NUMBER....5570155000751/2000130014530

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

CONTENTS	PAGE
1. PROJECT INFORMATION AND OVERALL PERFORMANCE	i
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	vi
3. REPORT OF THE INDEPENDENT AUDITORS ON THE SMALL SCALE IRRIGATION AND VALUE ADDITION PROJECT	vii
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2019	1
5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2019	2
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019	3
7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
8. NOTES TO THE FINANCIAL STATEMENTS	5
9. OTHER IMPORTANT DISCLOSURES	22
10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	23

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Small scale Irrigation and Value Addition Project (SIVAP).

Objective: The key objective of the project is To enhance food, industrial crop and livestock production in the arid and semi-arid areas of Kenya. It also seeks to ensure equity in resource distribution and improved livelihoods for all vulnerable groups in Kenya.

Address: The project headquarters offices are based at Nairobi, Nairobi County, Kenya.

The address of its registered office is:

**Hill Plaza Building 9th Floor, Ngong Road, opposite Milimani Law Courts.
P.O Box 30008-00100, Nairobi, Kenya**

The project also has offices/branches as follows:

- **None**

Contacts: The following are the project contacts

Telephone: (254) 2719013/2718870

E-mail: npchoa@kilimo.go.ke/npchoa1@gmail.com

Website: www.sivapkenya.kilimo.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1st July 2016
Project End Date:	The project end date is 30th June 2021
Project Coordinator:	The project coordinator is Mr Haron N. Goro
Project Sponsor:	The project sponsor is African Development Bank

1.3 Project Overview

Line Ministry/State Department of the project	The Project is being implemented by the State Department for Crops Development in the Ministry of Agriculture, Livestock, Fisheries and Irrigation.
Project number	2000130014530/5570155000751
Strategic goals of the project	The strategic goals of the project are as follows: (i) Supports the first Pillar (Economic) of the MTP for Vision 2030. (ii) Contribute to the Political and Economic stability of Kenya. (iii) Enhances Pillar 1 of Kenya Country Strategy Paper 2014-2018.

*Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019*

	(iv) Inclusive growth and transition towards green growth. (v) Empowerment of women and youth.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Invest in large multipurpose water infrastructures. (ii) Improve livestock production.
Other important background information of the project	The Project is geared towards creating wealth and empowerment in the targeted areas.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Poverty eradication. (ii) Improved crop and livestock production.
Project duration	The project started on 1st July 2016 and is expected to run until 30 June 2021.

1.4 Bankers

The following are the bankers for the current year:

- (i) ... Central Bank of Kenya (C.B.K) A/C No. 1000387831
- (ii) ... Central Bank of Kenya (C.B.K) A/C No. 1000387618

1.5 Auditors

The project is audited by the Office of the Auditor General (OAG).

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Haron Goro	PAO	Bsc. Horticulture	Project Coordinator
Gerald Kurema	Accountant	C.P.A (K) B.Com	Project Accountant
Evans Maguli	SSCMO	Dip. SCM	Project Procurement Specialist
Joseph Muia	Agriculture Engineer	Bsc. Agriculture Engineer	Project Engineer

James Juma	Agriculture Engineer	Bsc.Agriculture Engineer	Project Engineer
Peter Mburu	PAO	Bsc. Agriculture	Field Coordinator
Rose Mwanzia	PAO	Msc. Gender & Agriculture	Gender Specialist
Janet Oyuke	PAO	Msc. Environmental studies(Climata change& sustainability)	Environment Specialist
Benard Wanjohi	PAO	Bsc. Agriculture	ICT Specialist
Douglus Kangi	DDA	Msc Tropical Agriculture	M&E Specilaist

1.7 Funding summary

The Project is for duration of six (6) years from 2016 to 2021 with an approved budget of US\$ 70.684 million equivalents to KShs 6,833,462,641.32 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment		Amount received to date (30th June 2019)		Undrawn balance to date (30th June 2019)	
	Donor currency (USD)	KShs	Donor currency (USD)	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Global Agriculture and Food Security Programme	22,800,000	2,320,229,520	840,993.88	81,576,406	20,897,878	2,136,067,25
(ii) Loan						
African Development Bank	39,546,000	3,823,158,192	3,632,092.08	352,312,932	31,905,965	3,083,372,54
(iii) Counterpart funds						
Government of Kenya	7,138,000	690,074,930	130,119.44	12,621,586	2,090,011	634,453,344
Total	70,684,000	6,833,462,642	4,603,205.40	446,510,924	54,893,855	5,853,893,14

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

1.8 Summary of Overall Project Performance:

- Budget performance against actual amounts for current year and for cumulative to-date,
- Physical progress based on outputs, outcomes and impacts since project commencement,
- Comment on value-for-money achievements,
- Indicate the absorption rate for each year since the commencement of the project.
- List the implementation challenges and recommended way forward.

1.9 Summary of Project Compliance:

- Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- Include consequences suffered on account of non-compliance or likely to be suffered
- Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

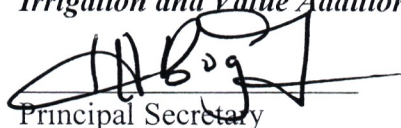
The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2019, and of the Project's financial position as at that date. The **Principal Secretary** for **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

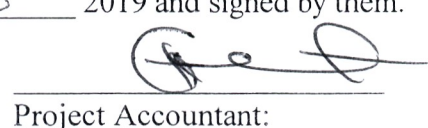
The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** on 27/01/2020 2019 and signed by them.


Principal Secretary


Project Coordinator


Project Accountant:

Name **Prof. Hamadi I. Boga (PhD)**

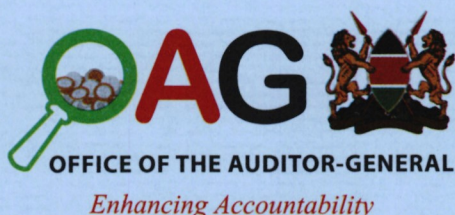
Name **Haron Goro**

Name: **Gerald Kurema**

ICPAK Member No. 8980

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SMALL-SCALE IRRIGATION AND VALUE ADDITION PROJECT (ADF LOAN NO.2000130014530 AND GRANT NO.5570155000751) FOR THE YEAR ENDED 30, JUNE 2019 - STATE DEPARTMENT FOR CROPS DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Small-Scale Irrigation and Value Addition Project set out on pages 1 to 25, which comprise the statement of financial assets as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 and Section 5.03 of the Loan Agreement No. 2000130014530 and Protocol of Agreement Grant No.5570155000751 signed on 04 February, 2016 between the Republic of Kenya and the African Development Bank. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Small-Scale Irrigation and Value Addition Project as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Loan and Grant Agreements.

Basis for Qualified Opinion

1. Unconfirmed Transfers from Government Entities

The statement of receipts and payments for the year ended 30 June, 2019 reflects Kshs.12,621,586 as transfers from government entities being counterpart funds received by the Project from the Government of Kenya (GoK) during the year. However, documentary evidence in support of the disbursements was not presented for audit and as a result, the accuracy and validity of the balance could not be confirmed.

Further, Notes 8.7 and 8.8 to the financial statements reflects Kshs.12,621,586 as GOK counterpart funding incurred on compensation of employees (Kshs.6,270,500) and purchase of goods and services (Kshs.6,351,086) respectively. However, Integrated Financial Information System (IFMIS) data for the year ended 30 June, 2019 reflects the Project's GOK total expenditure as Kshs.17,700,021 and not Kshs.12,621,856 shown in the statement of receipts and payments. No plausible explanation has been provided for the difference amounting to Kshs.5,078,165 between the two sets of records.

In view of these anomalies, the accuracy and completeness of expenditure amounting to Kshs.12,621,568 shown as GOK counterpart funding in the statement of receipts and payments for the year under review cannot be confirmed.

2. Unconfirmed Appropriations-in-Aid

The statement of receipts and payments for the year ended 30 June, 2019 reflects Appropriations-in-Aid (A-I-A) balance totaling Kshs.385,078,782 referenced to Note 8.6. to the financial statements which, however, reflects nil balances against miscellaneous receipts. The A-I-A balance is analyzed in Notes 8.4 and 8.5 to the financial statements as relating to grants of Kshs.52,249,710 and loans amounting to Kshs.332,829,072 received as direct payments from the African Development Bank, being expenditure incurred on acquisition of non-financial assets.

No plausible explanation has been provided for the anomaly in the presentation of the grants and loans. As a result, it is not possible to confirm the accuracy of the Kshs.385, 078,782 A-I-A balance reflected in the statement of receipts and payments for the year under review.

3. Doubtful Expenditure on Bicycles and Motorcycles

Audit review of the IFMIS records for the Project indicated that assorted bicycles and motorcycles costing Kshs.2,392,668 were purchased for the Project on 30 June, 2019. However, the respective tender documents, user requisitions, stores receipt and issue vouchers were not presented for audit. Physical verification carried out on diverse dates at the Project's offices both at the Head Office and in regional offices revealed that no bicycles or motorcycles were delivered to the Project's stores. Management have asserted that they did not procure any such items during the year under review.

In the circumstances, the occurrence and validity of the expenditure amounting to Kshs.2,392,668 reported to have been incurred on acquisition of bicycles and motor cycles for the Project during the year under review has not been confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Small Scale Irrigation and Value Addition Project in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of Matter

Unreconciled Special Account Receipts

The statement of receipts and payments for the year ended 30 June, 2019 reflects proceeds from domestic and foreign grants totaling Kshs.29,326,969 and loan receipts from external development partners totaling Kshs.19,483,860. Both amounts are shown in Notes 8.4 and 8.5 to the financial statements as grants and loans received in cash from the African Development Bank. The Project's special account statements, however, reflect Kshs.29,356,095 (\$291,260) and Kshs.19,505,213 (\$194,159) respectively as amounts withdrawn from the special accounts and credited to the Project's local account. The two sets of records had not been reconciled at the time of the audit in September, 2019.

My opinion is not qualified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters discussed in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, except for the matters discussed in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, 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

Unsatisfactory Implementation of Projects

The audit included visits to several sites at which construction of irrigation systems is ongoing. Significant shortcomings were observed in execution of some of the works. These included delays in completion of works, alleged flawed designs, stalled works, and unearned payments made to consultants and contractors, as shown in the following instances:

1.0 Kaboson Irrigation Scheme in Bomet County

The progress of work report for July, 2019 indicated that only 48% of works had been completed with 95% of the contract duration having lapsed. Therefore 52% of works were to be completed in the remainder 5% of the contract period. In addition, the quality of works done on the sedimentation tank was low. For instance, the steel cover installed on the water tank was covered in rust even as the works were ongoing.

Further, a 4-wheel-drive motor vehicle cited in the Bills of Quantities for procurement by the contractor for use by the works supervisor had not been purchased at the time of the audit inspection. Also, the consulting engineer appointed to supervise the works at a cost of Kshs.35,825,000 left the site after his time-based contract lapsed before construction works were completed.

2.0 Makanyanga Irrigation Scheme in Tharaka-Nithi County

Construction works for Makanyanga Irrigation Scheme commenced on 10 July, 2017 and were expected to be completed on 06 November, 2017. However, the contractor was granted two extensions up to 31 August, 2018 but by the time of expiry of the extended contract period, the portion of works done was assessed at 60% of the contracted scope.

The consulting engineer was paid the entire contract sum totalling Kshs.41,992,003 and his time-based contract had since lapsed. His final completion report dated March, 2019 indicated that the contractor had all along executed the works in a slow manner characterized by frequent, unauthorized stoppages.

The works were still ongoing in 2019 with an intern engineer from Machakos Agricultural Training Centre having been appointed as supervisor on temporary terms. In the absence of an experienced consulting engineer, the risk of the works not meeting the specified standards in the respective contract has increased.

3.0 Buuri Irrigation Scheme in Meru County

Consultancy services for Phase I design and feasibility study for this Project were awarded to a consultancy firm at a contract sum of Kshs.20,186,000. The contract commenced on 16 April, 2018 and was set to be completed on 31 October, 2019. At the time of the inspection in September, 2019, the consultant had received payments totalling Kshs.16,148,800 equivalent to 80% of the contract sum.

However, in spite of the payments, the final designs had not been completed at the time of the audit in September, 2019. No plausible explanation was provided for the delay and unearned advance payments made to the consultant.

4.0 Ruungu Irrigation Scheme in Tharaka-Nithi County

The works contract valued at Kshs.162,780,486.93 was to run for one year to 18 July, 2018. The consultant's report for June, 2019 indicated that 80% of the works

had been done. In addition, interim certificates valued at Kshs.146,982,687 or 90% of the contract value had been issued out of which Kshs.103,356,802 had been paid.

The consulting engineer's contract was awarded at Kshs.29,093,000 exclusive of taxes. It was to last for one year to 18 July, 2018. However, with the works still ongoing as at 30 September, 2019, the consultant had reportedly been persuaded to continue supervising the works pending negotiations for additional fees.

In addition, the audit observed that Thingithu River from which water for irrigation was to be abstracted was dry. Therefore, a reliable source of water for the Scheme was not apparent. Further, the Water Resources Management Authority (WARMA) was reported to have declined to issue the Scheme with a license to abstract water from the seasonal river until a reservoir or dam was built to retain sufficient volume of water. In view of this situation, the objectives of the Project may not be attained.

5.0 Kirumi Kiamunjari Irrigation Scheme in Tharaka-Nithi County

The contract for construction of Kirumi Kiamunjari Irrigation Scheme in Tharaka-Nithi County was awarded at a sum of Kshs.254,707,660.29. It was to be executed over one year to September, 2018. However, the contractor was awarded a six-month extension period which expired on 01 March, 2019. A month later, the contractor filed an application for a new extension to 05 July, 2019 which was also granted. The monthly progress report dated May, 2019 indicated payments totalling Kshs.118,729,081 or 47% of the contract sum had been made to the contractor while the proportion of completed works was assessed at 45%.

Audit verification of the Project in September, 2019 revealed that the works were incomplete. However, the consultant supervising the Project had withdrawn from the Project following expiry of his time-based contract. In his stead, the County Irrigation Engineer had been appointed to supervise the Project.

6.0 Rubiru Irrigation Scheme in Murang'a County

The works contract was awarded at Kshs.264,808,138 and work set to start on 28 July, 2017. The contract was to last for twelve months to 28 July, 2018. However, this was later revised to 29 December, 2018. The consultancy contract was to run for fifteen months to 28 October, 2018.

Project records indicate that the contractor contended that the feasibility study (design survey) on the Project was not done properly and would therefore require redesigning. He submitted a quotation for a new type of pipes (referred to as HDPE) which raised total costs for piping for the 12,220m length of the conveyance pipeline to Kshs.230,205,248 from Kshs.122,200,000 quoted in the contract. This amounted to an increase of Kshs.108,005,248 equivalent to 188% of the cost of the original (UPVC) pipes. The new costs could not be met from the existing contract and therefore the contractor was asked to execute the original design. Available information indicates the Project Coordination Unit has since sought to terminate the contract.

The audit observed that the Project stalled after the contractor abandoned the site and sued the Project Coordination Unit over his contractual terms. The main works such as water intakes and the sedimentation tank had not been done.

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 INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, I confirm that, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Effectiveness of Internal Controls, Risk Management and Governance sections of my report, internal controls, risk management and overall governance were operating effectively.

Basis for Conclusion

Although functional to a large extent, the Projects internal control system showed significant weaknesses that constrained efficient and accountable execution of activities and increased operational and other risks, as outlined below:

1.0 Failure to Deposit GOK Counterpart funds in the Project Account

Audit review of accounting records indicated that during the year under review, the State Department for Crops Development upon receipt of the Exchequer Release for Government of Kenya (GOK) counterpart funds did not transfer the funds to the Project bank accounts. Instead it spent the sum through the Department's accounts. Further, although payments made from all GOK counterpart funds were processed through IFMIS and the Project Coordinator was designated as the AIE holder, the Department did not create an account for the Coordinator in the system. As a result, he could not authorize payments in IFMIS. No plausible explanation has been provided for this omission.

2.0 Failure to Maintain a Retention Monies and Deposits Register

In the year under review, the Project did not maintain a retention monies and deposits register. In addition, examination of payment vouchers relating to civil and construction works revealed deductions for retention monies for works certificates paid. However, no funds were set aside to pay for the retention monies upon completion of the defects

liability period. Further, no disclosures have been made in the financial statements for the retention monies and deposits held as at 30 June, 2019.

3.0 Lack of Internal Audit and Inactive Audit Committee

The Project is implemented by a Project Control Unit under the State Department for Crops Development. The Internal Audit Unit in the Department is expected to conduct internal control assessments and audits on the Project regularly. However, this has not been done and as a result, the Management of the operational and other risks facing the Project is inadequate.

Further, although the Department has established an Audit Committee for the Project, the Committee did not convene any meeting during the year under review. As a result, its key functions such as resolving external audit queries and implementing recommendations thereof, were not executed.

These omissions have constrained effectiveness of the Project's internal control system.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by The African Development Fund, I report based on my audit, that, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Effectiveness of Internal Controls, Risk Management and Governance sections of my report:

- i. The Project's funds have been used in accordance with the conditions of the Loan Agreement and Protocol of Grant Agreement;
- ii. counterpart funds provided have been used in accordance with the conditions of the Loan Agreement and Protocol of Grant Agreement;
- iii. goods and services financed have been procured in accordance with the Loan Agreement and Protocol of Grant Agreement and the Bank's rules and procedures;
- iv. necessary supporting documents, records and accounts have been kept properly in respect of all Project activities;
- v. adequate internal controls to monitor expenditure and other financial transactions and ensure safe custody of assets exist; and

vi. ledgers and fixed assets register for the Project's assets are maintained as required.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Project to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

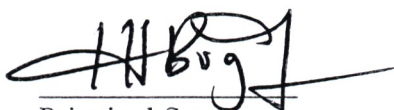
Nairobi

28 September, 2020

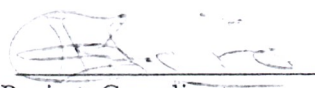
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
 30TH JUNE 2019

	Note	2018/19		2017/18		
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	Cumulative to-date
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
RECEIPTS						
Transfer from Government entities	8.3	12,621,856	0	0		32,621,856
Proceeds from domestic and foreign grants	8.4	29,326,969	0	36,437,100	0	143,671,495
Loan from external development partners	8.5	19,483,860	385,078,782	29,781,200	290,267,072	843,379,413
Proceeds from AIA	8.6			0	0	0
TOTAL RECEIPTS		61,432,685	385,078,782	66,218,300	290,267,071.56	1,019,672,764
PAYMENTS						
Compensation of employees	8.7	6,270,500		0	0	9,455,500
Purchase of goods and services	8.8	50,558,739	0	32,180,873	0.00	109,712,983
Acquisition of non-financial assets	8.10		385,078,782	1,194,000	290,267,071.56	741,308,353
Transfers to other government entities	8.11	0	0	0	0	0
Other grants and transfers and payments	8.12	0	0	0	0	0
TOTAL PAYMENTS		56,829,239	385,078,782	33,374,873	290,267,072	860,476,836
SURPLUS/(DEFICIT)		4,603,446	0	32,843,427	0	159,195,927

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Principal Secretary
 Name: **Prof. Hamadi I. Boga (PhD)**



Project Coordinator
 Name: **Haron Goro**




Project Accountant
 Name **Gerald Kurema**

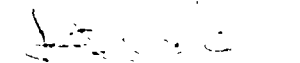
Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

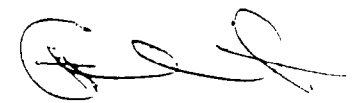
5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2019

	Note	2018/2019	2017/18
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.13.A	54,574	50,018.319.95
Cash Balances	8.13.B	0	0
Cash Equivalents (short-term deposits)	8.13.C	0	0
Total Cash and Cash Equivalents		54,574	50,018.319.95
Accounts receivables – Imprest and Advances	8.14	4,566,650	3,763,700.00
TOTAL FINANCIAL ASSETS		4,621,224	53,782,019.95
REPRESENTED BY			
Fund balance b/fwd	8.15	18,862	17,174,892.95
Adjustments for the year		-1,084	3,763,700.00
Surplus/(Deficit) for the year		4,603,446	32,843,427.00
NET FINANCIAL POSITION		4,621,224	53,782,020

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27/06/2019 and signed by:


 Principal Secretary
 Date 27/06/2019



 Project Coordinator
 Date 27/06/2019


 Project Accountant
 Date
 ICPAK Member No.8980

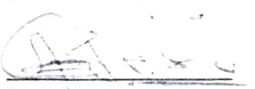
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2019

	Note	2018/19 KShs	2017/18 KShs
Receipts for operating activities			
Transfer from Government entities	8.3	12,621,856	0
Proceeds from foreign grants/loan	8.4	29,326,969	36,437,100.00
Loan from external development partners	8.5	404,562,642	320,048,272.00
Total receipts		446,511,467	356,485,372
Payments for operating activities			
Compensation of employees	8.7	6,270,500	0
Purchase of goods and services	8.8	50,558,739	32,180,873.00
Acquisition of Non –Financial Assets	8.10	385,078,782	291,461,072
Transfers to other government entities	8.11	0	0
		441,908,021	323,641,945
Adjusted for:			
Change in Imprests & Advances		0	3,763,700.00
Adjustments during the year	8.16	1,084	-3,763,700.00
Payments for operating activities			
Net cash flow from operating activities		4,602,362	32,843,427
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		50,558,739	32,180,873
Acquisition of Non –Financial Assets	8.10	385,078,782	291,461,071.56
Net cash flows from Investing Activities		-435,637,521	-323,641,945
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings grants	8.4	50,558,739	32,180,873
Proceeds from Foreign Borrowings	8.5	385,078,782	291,461,072
Net cash flow from financing activities		435,637,521	323,641,944.56
Net increase in cash and cash equivalent		4,602,362	32,843,427
Cash and cash equivalent at BEGINNING of the year		18,862	17,174,892.95
Cash and cash equivalent at END of the year		4,621,224	50,018,319.95


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/01/2020 2019 and signed by:


 Principal Secretary

Date 27/01/2020


 Project Coordinator

Date 27/01/2020


 Project Accountant

Date
 ICPA M No:8980

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=e/c %
Revenues/Receipts						
Transfer from Government entities	34,302.200	- 1,620.000	32,682.200	12,621.856	20,060.344	39%
Proceeds from domestic and foreign grants	170,661.840	- 54,610.009	116,051.831	29,326.969	86,724.862	25%
Loan from external development partners	1,254,370.190	- 850,000.000	404,370.190	404,562.642	- 192.452	100%
TOTAL RECEIPTS	1,459,334,230	- 906,230,009	553,104,221	446,511,467	106,592,754	81%
Payments/Expenses						
Compensation of Employees	12,512.000	-	12,512.000	6,270.500	6,241.500	50%
Telephone and telefax	1,800.000		1,800.000	1,799.912	88	100%
Domestic travel and subsistence	47,951.050	4,481.140	43,469.910	25,664.314	17,805.596	59%
Printing and advertisement	2,000.000	- 248.000	1,752.000	600.537	1,151.463	34%
Civil works	1,254,370.190	- 850,000.000	404,370.190	385,078.782	19,291.408	95%
General office Expenses	2,500.340	-	2,500.340	1,127.455	1,372.885	45%
Training Payments	35,695.596	-	35,695.596	21,109.328	14,586.268	59%
Total Payments/Expenses	1,342,517,176	- 845,766,860	487,788,036	433,580,416	54,207,620	89%

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

Principal Secretary

Date

27/6/2020

Project Coordinator

Date

27/6/2020

Project Accountant

Date

ICPAK M No:8980

8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

8.1.2. Reporting entity

The financial statements are for the Small scale Irrigation and Value Addition Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

8.1.3. Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

8.2. Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Government.

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) **Recognition of payments**

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Repayment of borrowing (principal amount)

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

e) Acquisition of fixed assets

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

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

c) In-kind donations

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

d) 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.

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

h) Third party payments

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

During the year Kshs 385,078,782 billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2018.

l) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2018/19	2017/18	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	0.00	10,000,000	10,000,000
Counterpart funds Quarter 2	0.00	0.00	10,000,000
Counterpart funds Quarter 3	0.00	0.00	10,000,000
Counterpart funds Quarter 4	12,621,586	0.00	32,621,586
	<u>0.00</u>	<u>0.00</u>	<u>62,621,586</u>
<i>Other transfers from government entities</i>			
Ministry xx			
Ministry xy			
Project zxy			
Agency xz			
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Appropriations-in-Aid	0.00	0.00	0.00
Total	<u>12,621,586</u>	<u>10,000,000</u>	<u>62,621,586</u>

The counterpart funds from government are controlled from the parent ministry and as such the project has no total control of the funds.

Expenditure return will be attached as an annex which will be verifiable from the ministry.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2019 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in KShs	
						FY 2018/19	FY 2016/17
		USD	KShs	KShs	KShs	KShs	KShs
Grants Received from Multilateral Donors (International Organisations)							
African Development Bank	2018/2019		29,326,969			29,326,969	36,437,10
Total						29,326,969	36,437,10

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2019 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			USD	KShs	KShs	FY18/19
Loans Received from Multilateral Donors (International Organisations)						
African Development Bank	2018/19		19,483,860	385,078,782	404,562,642	320,048,272
Total					404,562,642	320,048,272

8.6. MISCELLANEOUS RECEIPTS

	FY 2018/19			FY 2017/18	Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Property income	0.00	0.00	0.00	0.00	0.00
Sales of goods and services	0.00	0.00	0.00	0.00	0.00
Administrative fees and charges	0.00	0.00	0.00	0.00	0.00
Fines, penalties and forfeitures	0.00	0.00	0.00	0.00	0.00
Voluntary transfers other than grants	0.00	0.00	0.00	0.00	0.00
Other receipts not classified elsewhere	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7. COMPENSATION OF EMPLOYEES

	FY 2018/19			FY 2017/18	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	6,270,500	0.00	0.00	0.00	9,455,500
Basic wages of temporary employees	0.00	0.00	0.00	0.00	0.00
Social benefit schemes outside government	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
Total	<u>6,270,500</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>9,455,500</u>

*Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8. PURCHASE OF GOODS AND SERVICES

	FY 2018/19		Total Payments KShs	FY 2017/18		Cumulative to- date
	Payments made by	Payments made by third				
	KShs	parties KShs		KShs		
Utilities, supplies and services	-	-	-	597,080 00	-	667,080 00
Communication, supplies and services	2,053,104 00	-	2,053,104 00	452,000 00	-	3,804,104 00
Domestic travel and subsistence	25,664,314 00	-	25,664,314 00	22,373,923 00	-	72,365,024 00
Printing, advertising and supplied services	600,537 00	-	600,537 00	-	-	2,265,535 00
Maintenance of vehicles	275,910 00	-	275,910 00	-	-	1,367,627 00
Training payments	21,109,328 00	-	21,109,328 00	8,694,270 00	-	31,146,368 00
Hospitality supplies and services	60,000 00	-	60,000 00	63,600 00	-	335,930 00
Internet connection	56,000 00	-	56,000 00	-	-	56,000 00
Routine maintenance- other assets	4,000 00	-	4,000 00	-	-	733,468 00
Computer Accessories	43,500 00	-	43,500 00	-	-	43,500 00
Subscription to magazines and periodic	23,600 00	-	23,600 00	-	-	23,600 00
Advertisement and Awareness	668,445 00	-	668,445 00	-	-	668,445 00
Total	50,558,738.00	-	50,558,738.00	32,180,873.00	-	113,476,681.50

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.9. SOCIAL SECURITY BENEFITS

	FY 2018/19			FY 2017/18	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	0.00	0.00	0.00	0.00	0.00
Social security benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
Employer social benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

[Provide explanation as necessary]

8.10. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2018/19			FY 2017/18	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	0.00	0.00	0.00	0.00	0.00
Construction of buildings	0.00	0.00	0.00	0.00	0.00
Refurbishment of buildings	0.00	0.00	0.00	0.00	0.00
Construction of roads	0.00	0.00	0.00	0.00	0.00
Construction of civil works	0.00	385,078,782	385,078,782	290,267,072	741,308,353
Overhaul & refurbishment of construction and civil works	0.00	0.00	0.00	0.00	0.00
Purchase of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00
Overhaul of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00
Total					<u>637,512,739</u>

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2019, we transferred funds to reporting government entities as shown below:

	FY 2018/19			FY 2017/18	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry ABC	0.00	0.00	0.00	0.00	0.00
Project XYZ	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
Transfers to County Government					
County ABC	0.00	0.00	0.00	0.00	0.00
County XYZ	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	FY 2018/19			FY 2017/18	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0.00	0.00	0.00	0.00	0.00
Transfers to lower levels of government e.g schools	0.00	0.00	0.00	0.00	0.00
Miscellaneous payments	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

[Provide explanation as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2018/19	2017/18
	KShs	KShs
Bank accounts (Note 8.13A)	54,573	50,018,319.95
Cash in hand (Note 8.13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	54,573	50,018,319.95

The project has 1 number of project accounts spread within the project implementation area and 0 number of foreign currency designated accounts managed by the National Treasury as listed below:

8.13. A Bank Accounts

Project Bank Accounts

	2018/19	2017/18
	KShs	KShs
Local Currency Accounts		
Central Bank of Kenya [A/c No. 100387831]	90,943.35	1,499.95
Central Bank of Kenya [A/c No. 100387618]	125,855.35	16,820.00
Central Bank of Kenya [A/c No. 1000297239]		30,000,000.00
Central Bank of Kenya [A/c No. 1000289918]		20,000,000.00
Total local currency balances	216,798	50,018,319.95
Total bank account balances	216,798	50,018,319.95

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2019 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2018/19	2017/18
	KShs	KShs
(i) A/c Name [A/c No.....]		
Opening balance		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)		
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)		
Total amount deposited in the account		
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)		

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

8.13. B Cash In Hand

	2018/19	2017/18
	KShs	KShs
Location 1	0.00	0.00
Location 2	0.00	0.00
Location 3	0.00	0.00
Other locations (<i>specify</i>)	0.00	0.00
Total cash balances	<u>0.00</u>	<u>0.00</u>

[Provide a cash count certificate for each location above]

*Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.13. C Cash equivalents (short-term deposits)

	2018/19	2017/18
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	0.00	0.00
Co-Operative Bank of Kenya [A/C No.....]	0.00	0.00
Others (<i>Specify</i>)	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>

[Provide short appropriate explanations as necessary]

8.14. OUTSTANDING IMPRESTS AND ADVANCES

Name of Officer or Institution	Amount Taken	Due Date of issue	Warrant No.	Pno.	
Stephen Irungu	166,050	21/11/2018	3425740	2009061252	
Joseph Njau	2,182,300	11-01/2019	2,182,300	1984012584	
Francis Ngacha	489,400	13/01/2019	489,400	1987048055	
Evans Manguli	391,600	07/02/2019	391,600	1987019592	
Francis Ngacha	499,600	07/02/2019	499,600	1987048055	
Eng. Joseph Muia	353,600	06/03/2019	353,600	199302431	
Douglas Kangi	484,100	03/04/2019	484,100	1997027213	
Total			4,566,650		

8.15. FUND BALANCE BROUGHT FORWARD

	2018/19	2017/18
	KShs	KShs
Bank accounts	18,320.	0.00
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	0.00	0.00
Outstanding imprests and advances	0.00	0.00
Total	18,320	0.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.16. PRIOR YEAR ADJUSTMENT

	2018/19	2017/18
	KShs	KShs
Bank accounts	0.00	0.00
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	1,084	0.00
Receivables - Outstanding Imprests	0.00	3,763,700
Total	<u>1,084</u>	<u>3,763,700</u>

[Provide short appropriate explanations as necessary]

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

9. OTHER IMPORTANT DISCLOSURES

9.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	2018/19	2017/18
	KShs	KShs
Construction of buildings	0.00	0.00
Construction of civil works	0.00	0.00
Supply of goods	0.00	0.00
Supply of services	0.00	0.00
	0.00	0.00

9.2 PENDING STAFF PAYABLES (See Annex 2B)

	2018/19	2017/18
	KShs	KShs
Permanent employees - management	0.00	0.00
Permanent employees - others	0.00	0.00
Temporary employees	0.00	0.00
Others (<i>specify</i>)	0.00	0.00
	0.00	0.00

9.3 OTHER PENDING PAYABLES (See Annex 2C)

	2018/19	2017/18
	KShs	KShs
Amounts due to National Government entities	0.00	0.00
Amounts due to County Government entities	0.00	0.00
Amounts due to third parties	0.00	0.00
Others (<i>specify</i>)	0.00	0.00
	0.00	0.00

10. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation	Status: (Resolve / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
SIVAP/2018/(1)	Accuracy and completeness of the financial statements	Un-explained difference and other inaccuracy.	Gerald Kurema Principal Accountant	Resolved	
SIVAP/2018/(2)	Payment to M/s Ecosite development consultants without deducting retention fee of ksh,964,279.52	No explanation has been given for the omission	Principal Accountant	Resolved	The management have explained that 5% is not applicable and it was erroneously included in the contract. Both management shall meet and rectify the with an addendum .To be reviewed in 2018/2019 financial . year audit
SIVAP/2018/(3)	Outstanding Imprest	Outstanding imprest of ksh.3,763.700 not disclosed.	Principal Accountant	Resolved	The issue has already been resolved.
SIVAP/2018/(4)	Cash and cash equivalent	The statement of financial assets	Principal Accountant	Resolved	

Small scale Irrigation and Value Addition Project (SIVAP)
 Reports and Financial Statements
 For the financial year ended June 30, 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		reflects a bank balance of ksh,50,018,319 as at June 30 th 2018. The bank reconciliation statements, support documents and bank confirmation certificate for the year ended 30 th June 2018 were not availed for audit verification.	Gerald Kurema		
SIVAP/2018/(5)	Failure to provide accounting documents and other records	Approved project budget, cash books, and reconciliation	Gerald Kurema Principal accountant	Resolved	
SIVAP/2018/(6)	No-disclosure of pending bills	Pending bills in regard to supply of desktops	Gerald Kurema Principal accountant	Resolved	
	Misclassification of pending bills	Laptops and laptops bag amounting to kshs.1,194,000 misclassified as purchase of goods and services	Gerald Kurema Principal accountant	Resolved	
	Lack of asset register	The project does not maintain Fixed asset register	Gerald Kurema Principal accountant	Resolved	To be confirmed in Audit year 2018/2019
	Lack of Risk register	Failure to address risk management framework, risk register, risk and policy	Gerald Kurema Principal accountant	resolved	This will be reviewed in the year 2018/2019

Small scale Irrigation and Value Addition Project (SIVAP)
Statement of Budget Performance
For the year ended June 30, 2019

APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

Small scale Irrigation and Value Addition Project (SIVAP)
Statement of Budget Performance
For the year ended June 30, 2019

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2017/18	*Purchases/Additions in the Year (KShs) 2018/19	**Disposals in the Year (KShs) 2018/19	Closing Cost (KShs) 2019
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
Total				

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2019

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

Small scale Irrigation and Value Addition Project (SIVAP)

Reports and Financial Statements

For the financial year ended June 30, 2019

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Permanent Employees - Management							
1.							
2.							
3.							
Sub-Total							
Permanent Employees - Others							
4.							
5.							
6.							
Sub-Total							
Temporary employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

Small scale Irrigation and Value Addition Project (SIVAP)

Reports and Financial Statements

For the financial year ended June 30, 2019

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2016	Comments
11.						
12.						
Sub-Total						
Grand Total						

*Small scale Irrigation and Value Addition Project (SIVAP)
 Reports and Financial Statements
 For the financial year ended June 30, 2019*

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						

Small scale Irrigation and Value Addition Project (SIVAP)

Reports and Financial Statements

For the financial year ended June 30, 2019

APPENDIX - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=d-c	% of Utilisation Difference to Final Budget f=c/c %	Variance Explanation
Revenues/Receipts							
Transfer from Government entities	34,302,200	-	32,682,200	12,621,856	20,060,344	39%	Delay in opening of IFMIS and inadequate funding from GOK
Proceeds from domestic and foreign grants	170,661,840	-	116,051,831	29,326,969	86,724,862	25%	Delay in supplementary budget
Loan from external development partners	1,254,370,190	-	404,370,190	404,562,642	-	100%	
TOTAL RECEIPTS	1,459,334,230	-	553,104,221	446,511,467	106,592,754	81%	
Payments/Expenses							
Compensation of Employees	12,512,000	-	12,512,000	6,270,500	6,241,500	50%	Lack of exchequer
Telephone and telefax	1,800,000	-	1,800,000	1,799,912	88	100%	
Domestic travel and subsistence	47,951,050	4,481,140	43,469,910	25,664,314	17,805,596	59%	Delay in supplementary budget
Printing and advertisement	2,000,000	248,000	1,752,000	600,537	1,151,463	34%	Delay in supplementary budget
Civil works	1,254,370,190	-	404,370,190	385,078,782	19,291,408	95%	
General office Expenses	2,500,340	-	2,500,340	1,127,455	1,372,885	45%	Delay in supplementary budget
Training Payments	35,695,596	-	35,695,596	21,109,328	14,586,268	59%	Delay in supplementary budget
Total Payments/Expenses	1,342,517,176	-	487,788,036	433,580,416	54,207,620	89%	


*Small scale Irrigation and Value Addition Project (SIVAP)
 Reports and Financial Statements
 For the financial year ended June 30, 2019*

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

Guidance Notes:

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

 Principal Secretary



 Project Coordinator

 Date

27/01/2020

 Date

27/01/2020