REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

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REPORT

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THE AUDITOR-GENERAL

ON

THE REVENUE STATEMENTS OF STATE DEPARTMENT FOR CROP DEVELOPMENT

FOR THE YEAR ENDED 30 JUNE, 2020

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
30 SEP 2020
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THE MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND IRRIGATION

STATE DEPARTMENT FOR CROPS DEVELOPMENT

REVENUE STATEMENT

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020

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

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STATE DEPARTMENT FOR CROPS DEVELOPMENT
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *Principal Secretary, State Department for Crop Development,* is under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. At Cabinet level, the *State Department* is represented by the Cabinet Secretary for Agriculture, Livestock, Fisheries and Irrigation who is responsible for the general policy and strategic direction of the *State Department.* The Principal Secretary was not appointed as a receiver of Revenue in 2019/20. However, we have prepared a financial statement in this current year 2019/20 as way of disclosure of transfer of funds that had been received in the previous financial year when the Principal Secretary had been appointed as receiver of revenue in 2018/2019 vide letter Ref:Ag.1/021 Vol.III (29) of 26th July 2018.

(b) Principal activities

The *Principal Secretary* collects revenue from Sale of Subsidized Fertilizer from farmers through the National Cereals and Produce Board. Revenue collected is remitted to the National Treasury in accordance with Section 81 (2) of the PFM Regulations 2015.

(c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Cabinet Secretary – Mr Festus Mwangi Kiunjuri (EGH), NHG
- Principal Secretary - Prof. Hamadi Idd Boga (PhD),
- Agriculture Secretary – Josephat Muhunyu
- Engineering Secretary - Eng Richard Kanui,

(d) Entity Headquarters

Kilimo House
P.O. Box 30028
Cathedral Road
Nairobi, KENYA

(e) Entity Contacts

Telephone: (254) 2718870/9
E-mail: psagriculture@kilimo.go.ke
Website: www.kilimo.go.ke

(f) Independent Auditors

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

Nairobi,Kenya

(g) Principal Legal Adviser

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

Telephone: (254) 2227461
E-mail: info@ag.go.ke
Website: www.statelaw..go.ke

(h) **Bankers**

Central Bank of Kenya
Haile Selassie Avenue
P.O Box 60000
City Square 00200
Nairobi, Kenya

Telephone: (254)202861000
E-mail: comms@centralbank.go.ke
Website: www.centralbank.go.ke

II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

The Principal Secretary in charge of the *State Department for Crops Development is* responsible for the preparation and presentation of the *Receiver of Revenue account*, for every financial year of which is appointed as receiver of revenue.. 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 entity; (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 *State Department for Crops Development* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the *State Department for Crops Development* accepts responsibility for the *entity's Receiver of Revenue* accounts, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS)and relevant legal framework of the Government of Kenya .The Principal Secretary is of the opinion that the State Department for Crops Development *Revenue* account gives a true and fair view of the *State Department for Crops Development Revenue* transactions during the financial year ended June 30, 2020, and of the *entity's* financial position as at that date. The Principal Secretary in charge of *State Department for Crops Development* further confirms the completeness of the accounting records maintained for the *Receiver of Revenue*, which have been relied upon in the preparation of the *Receiver of Revenue* account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the *State Department for Crops Development* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the *State Department for Crops Development* funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Principal Secretary confirms that the *State Department for Crops Development Revenue* accounts have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The *revenue* statements were approved and signed by the Principal Secretary on 30st June, 2020

Principal Secretary
Name: Prof. Hamadi Idd Boga(PhD)

Assistant Accountant General
Name: Charity W. Muriuki
ICPAK M/No:5380

REPUBLIC OF KENYA

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

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON THE REVENUE STATEMENTS OF STATE DEPARTMENT FOR CROP DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2020 - MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

REPORT ON THE REVENUE STATEMENTS

Disclaimer of Opinion

I have audited the revenue statements of State Department for Crop Development set out on pages 4 to 12, which comprise the statement of arrears in revenue as at 30 June, 2020, and the statement of receipts and transfers 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 do not express an opinion on the accompanying revenue statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these revenue statements.

Basis for Disclaimer of Opinion

1. Accuracy of the Arrears of Revenue

The statement of arrears in revenue as at 30 June, 2020 reflects an amount of Kshs.475,147,096. This amount relates to revenues realized from sale of subsidized fertilizer by the National Cereals and Produce Board on behalf of the State Department for Crops Development through an agency agreement signed between the Ministry of Agriculture, Livestock and Fisheries, and the Board. However, the amount of Kshs.475,147,096 reported by the State Department differs with an amount of Kshs.752,363,484 reported as collected in the revenue statements of the National Cereals and Produce Board resulting into an unreconciled difference of Kshs.277,216,388. Further, no evidence has been provided to show how the amount of Kshs.475,147,096 was arrived at.

Under the circumstances, the completeness and accuracy of the reported arrears of revenue amount of Kshs.475,147,096 could not be confirmed.

2. Failure to Remit Revenue Collected

The statement of comparison of budget and actual amounts reflects a nil budget against receipts of Kshs.475,147,096 for the year 2019/2020. However, as disclosed in Note (a) under the statement, the revenue was not realized because the National Cereals and Produce Board did not surrender the receipts collected to the State Department. However, no proper reason has been given for failure by the National Cereals and Produce Board to surrender the amount collected.

Further, no evidence has been provided to show that the State Department for Crop Development informed the Cabinet Secretary in charge of Finance that it was experiencing difficulties in collecting revenues due to the National Government as required under Regulation 64(2) of the Public Finance Management (National Government) Regulations, 2015.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these revenue 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 revenue 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 state Department for Crop Development to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or to cease operations.

Management is also responsible for the submission of the revenue 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 revenue statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue 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

My responsibility is to conduct an audit of the revenue statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these revenue statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the revenue 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for

an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance

I am independent of State Department for Crop Development 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 revenue statements in Kenya.

Nancy Gathungu
AUDITOR-GENERAL

Nairobi

18 May, 2021

STATE DEPARTMENT FOR CROPS DEVELOPMENT
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

III. STATEMENT OF RECEIPTS AND TRANFERS

	Note	2019/20 Kshs	2018/19 Kshs
NON TAX RECEIPTS			
Receipts from Sale of Non-Financial Assets	1	0	-
TOTAL NON TAX RECEIPTS		0	-
TOTAL RCEIPTS COLLECTED		**0**	**-**
TRANSFERS TO THE EXCHEQUER ACCOUNT		456,662,651.80	0
BALANCE BROUGHT FORWARD		456,662,651.80	**456,662,651.80**
BALANCE CARRIED FORWARD	2	NIL	**456,662,651.80**

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 30th June, 2020 and signed by:

Principal Secretary
Name: Prof. Hamadi Idd Boga (PhD)

Assistant Accountant General
Name: Charity W. Muriuki
ICPAK M/No: 5380

(Ref: PFM ACT section 82,2(a))

IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2019

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2018 (a)	Amount in arrears for the immediate previous year to 30 June 2019 (b)	Amount in arrears for the current year to June 30 2020 (c)	Total arrears as at 30 June 2020 (a+b+c)	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Non Tax Revenues						
Receipts from sale of non financial assets			475,147,096		Ps has written to NCPB instructing them to surrender receipts from sale of fertilizer	
Total arrears	**0**	**0**	**475,147,096**	**0**		

Principal Secretary
Name: Prof. Hamadi Idd Boga (PhD)

Assistant Accountant General
Name:Charity W. Muriuki
ICPAK M/No: 5380

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Non tax receipts					
Receipts from Sale of Non-Financial Assets	-	-	-	475,147,096	
Total Non-tax receipts					
Total receipts	-	-	-	**475,147,096**	

(a) During the year under review, there was no Revenue budgetary provision for fertilizer Account and hence the Principal Secretary is not appointed as receiver of revenue for financial year 2019/2020.

(b) In 2016/2017 the Principal Secretary received Ksh.456,662,651.80 in the Fertilizer Account which had not been transferred as at 30th June 2018. However the amount in the Fertilizer Proceeds Accounts of Kshs. 456,662,651.80 was transferred to the Exchequer in the Financial year 2019/2020.

(c) There has been a policy shift for the fertilizer program where the previous fertilizer subsidy programme that was being transacted through NCPB as the Principal Agent has been transformed to National Value Chain Support Program which provides direct linkages between the farmers and Agro-dealers through electronic voucher (E-voucher) system. Under the programme, the Government subsidizes the farmer rather than the buy/sell concept.

VI. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the Government of Kenya. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *State Department for Crops Development*. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *State Department for Crops Development*.

2. Recognition of Revenue

The *State Department for Crops Development* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *State Department for Crops Development*

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included as part of notes to these financial statements.

4. 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.

5. Revenue in Arrears

6. This relates to revenue due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Comparative Figures

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

8. Subsequent Events

There have been a policy shift in 2019/20 fertilizer programme that promote the E-voucher system.

9. Statement of Arrears of Revenue

The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements.

VII. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM SALE OF NON FINANCIAL ASSETS

Description	2019-2020	2019-2020
	Kshs	Kshs
Receipts from the Sale of Subsidized Fertilizer	-	-
Total Revenue	-	-
Balance brought forward	-	
Transfers to the Exchequer account	-	-
Balance carried forward	-	-

No revenue was collected during the period under review since the Principal Secretary was not appointed Receiver of Revenue and there was no budgetary provision.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. BALANCES CARRIED FORWARD

a)Balance carried forward	
Amount	
b) Balance carried forward yet to be transferred	
NIL	

At the close of the financial year 2019/20 there are no balances in the fertilizer proceed Accounts that are yet to be transferred. The account has NIL balance.

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver	Reasons for waiver/ variation	The law in terms of which the variation was granted
N/A	*N/A*	*N/A*	*N/A*	*N/A*

(This relates to a receiver of revenue that has granted a giver/ remitter of revenue waiver or discount on the revenue to be submitted. Where no waiver has been given, state so under this statement)

(PFM ACT section 82 sub section 4, 5)

VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

The audit certificate for financial year 2017/2018 is yet to be released by the Auditors. We shall respond to any outstanding issues that may arise as soon as the certificate is issued.

Principal Secretary
Name: Prof. Hamadi Idd Boga (PhD)

Assistant Accountant General
Name: Charity W. Muriuki
ICPAK M/No:5380

0184080

CULTURE, LIVESTOCK,
ND IRRIGATION
for Crop Development
NTING UNIT

Name 12-03-20

456,662,651=80

nit

V.P.
Please process the payment voucher
17/2/20

NUE PROCEEDS FROM

ent for Crop Development wa
03 – sale of non –capital gran

The fertilizer account is currently holding **Kshs.456,662,651.80.** This
therefore to request for your approval so that the same can be transferre
the National Treasury exchequer **A/C No. 1000003987.**

arles N. Minjire
SISTANT ACCOUNTANT GENERAL