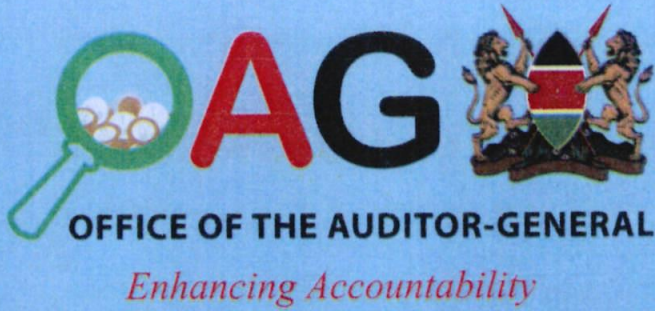
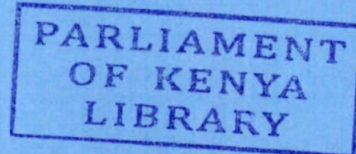


REPUBLIC OF KENYA



**REPORT**

**OF**



**THE AUDITOR-GENERAL**

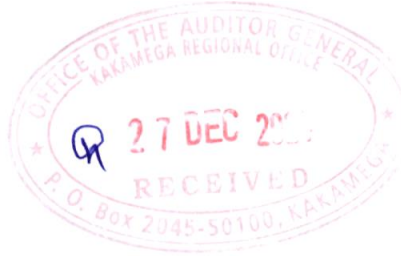
**ON**

**KAKAMEGA COUNTY DAIRY DEVELOPMENT  
CORPORATION**

**FOR THE YEAR ENDED**

**30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Def Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Mwalim



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**KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION  
(KDDC)**

**Kakamega County Government**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2024**

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

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## 1. Acronyms and Definition of Key Terms

### A: Acronyms

AGPO	Access to Government Procurement Opportunities
CEO	Chief Executive Officer
CECM	County Executive Committee Member
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
CT	County Treasury
CIDP	County Integrated Development Plan
CA	County Assembly
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PPPs	Public Private Partnerships
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
WB	World Bank
KDDC	Kakamega County Dairy Development Corporation
FAO	Food and Agriculture Organization

### B: Definition of Key Terms

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.

**Comparative Year-** Means the prior period.



## **2. Key Entity Information and Management**

### **(a) Background information**

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega on 4th July 2018, as a body corporate with perpetual succession and common seal, to provide a legal framework for the development of the dairy value chain in Kakamega County. The Act makes provisions for the role of the corporation in the dairy industry in the County and related matters in furtherance of the fourth schedule of the constitution. The Corporation is domiciled under the Department of Agriculture, Livestock, Fisheries and Co-operatives.

- (b) The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.
- (c) The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.
- (d) Currently the Corporation is managed partly by staff seconded from county line departments of Agriculture, Livestock & Cooperatives; Finance & Economic Planning ICT & Budget; and Office of the Governor and partly by staff recruited by the corporation on contract terms (farm managers, drivers, farm hands, casuals and security guards).
- (e) The Corporation has developed its five-year Strategic Plan. The plan was reviewed in the FY 2023-24. The corporation has an official logo and Service Charter already in place. The 5-year Strategic plan, will from the FY 2024-25 enable the corporation set an ambitious plan for its future activities and help determine how best to achieve these. The plan will also enable the corporation to determine the direction and focus on the corporation's efforts to ensure that everyone in the corporation is working towards a common goal.
- (f) The corporation is also in the process of developing its key corporate governance policies to guide the management achieve its mandate while providing its services. The Board of Directors with the parent departments of Agriculture, Livestock & Fisheries; Finance, Economic Planning, ICT & Budget; and Office of the Governor have been proactive in guiding and supporting the corporation management to steer the corporation in the right direction.

- (g) The corporation's head office is situated at the County Government of Kakamega rented Sahajanand Building in Kakamega town along Mumias road. The corporation intends to construct its head office at one of the Smart Dairy Farms in future.
- (h) The corporation is currently implementing two major programmes namely the establishment of twelve smart dairy farms, one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative). The corporation has established and operationalized four smart dairy farms in Lurambi, Matungu, Lugari and Khwisero sub counties with a total of 130 dairy animals. Each smart dairy farm hosts an average of 30 dairy cows.
- (i) The corporation has also commissioned for construction five (5) new smart dairy farms in Ikolomani, Butere, Mumias East, Navakholo and Likuyani sub counties. By close of the financial year, construction activities at the five new smart farms were at 42% to 95% completion rates.
- (j) Since its inception in the year 2015, the One Cow Initiative programme has procured and distributed 1970 in-calf dairy cows to selected farmer beneficiaries. The beneficiaries have also passed on over 1,116 heifers to new beneficiaries since its inception.
- (k) To feed the increasing number of animals in its dairy herd, the corporation has also decreased the yield from 903 tons in the FY 2022-2023 to 747 tons in the FY 2023-2024. This was due to crop failure during short rain season.
- (l) The Corporation has fully migrated to ICT based banking and pay bill for revenue collection in its financial management. This has improved the efficiency of financial transactions including increased revenue collection.

**(b) Principal Activities**

The principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; develop and maintain milk processing plant in the county; conduct research; assist in maintenance of dairy facilities; and assist dairy farmers to source for affordable dairy farm inputs and machinery.

### Objectives

- Provide a legal framework for dairy value chain development in the count



### MANDATE

Kakamega Dairy Development Corporation (KDDC) Act 2018 mandates the Corporation to engage in the following functions:

- Engage in the commercial rearing and breeding of dairy livestock.
- Develop, promote and adopt the best practices in the dairy value chain.
- Create a ready market for milk for dairy farmers.
- Develop and maintain a milk processing plant in the County.

**Kakamega County Dairy Development Corporation**

County Government of Kakamega

**Annual Report and Financial Statements for the year ended June 30, 2024.**

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- Undertake and promote research in the field of dairy farming.
- Promote or assist in the setting up of dairy training facilities.
- Provide advisory services to stakeholders of dairy farming.
- Implement and manage the dairy livestock incentives through the cooperative societies.
- Facilitate and negotiate concessions for dairy farming input.
- Facilitate acquisition of farm inputs and machinery subsidy.
- Promote Dairy Cooperative activities within the County.
- Carry out such other functions as may be assigned to it by this Act or any other written.
- Carry out such other functions as may be assigned to it by this Act or any other written
- Promote Dairy Cooperative activities within the County.

**(c) Key Management**

The Kakamega County Dairy Development Corporation's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors Chairman	Dr. Francis Sikolia
2.	Board Member	Mr. Joseph Wasike
3.	Board Member	Mr. Peter Maero
4.	Board Member	Mr. Joachim Kutoyi
5.	Board Member	Dr. Angeline Savala
6.	Chief Officer Finance	Dr. June Jeophita Mwajuma
7.	Chief Officer Livestock	Ms. Jesica Weku Wesonga
8.	County Attorney	Mrs Vivian Mbaka
9.	Accounting officer (CEO)	Dr. Isaac Lubutsi
10.	Accounting officer ( ag. CEO)	Mr. Ezekiel S. Lumbasi

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CEO	Dr. Isaac Lubutsi
2.	Ag. CEO	Mr. Ezekiel Lumbasi
3.	Head of Finance	CPA Ashyline Ambetsa
4.	Head of Procurement	Praxaedes Wanzala
5.	Livestock Production Officer/ag. GMF	Daniel Ludenyo
6.	One Cow Initiative Coordinator	Joynah Wabuyabo
7.	Assistant Office Administrator	Lillian Achoka

**(e) Fiduciary Oversight Arrangements**

The management of the corporation is vested in a non –executive Board. The Board, with a diversity of gender, competencies and skills comprises of nine (9) members including (a) a non-executive chairperson appointed by the governor; (b) accounting officer for the county department responsible for livestock development; (c) chief officer responsible for finance; (d) county attorney; (e) chief executive officer who shall be an ex officio member; (f) three members with relevant qualifications appointed by the Executive Committee Member. (g) one person nominated by Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member of parent ministry.

The board provides strategic direction to the organization, exercising control and accountability to the County government and the taxpayers.

Role and functions of the board include:

- Ensuring that the strategy of the corporation is aligned to the purpose of the corporation and legitimate interests and expectations of the taxpayers.
- Ensuring that the strategy of the corporation is aligned to long term goals of the organization on sustainability.
- Approving the corporation’s organizational structure, annual budgets and work plans.
- Monitoring the performance of the corporation to ensure sustainability.
- Ensure corporate image of the corporation.
- Ensure adequate resources for the achievement of the corporation’s objectives.
- Hire the CEO in liaison with the County Public Service Board and ensure effective communication.

The board provides oversight and policy direction to the corporation through three committees. i.e. Technical committee; Finance, Administration & Human Resource committee and Audit & Risk management committee. The committees comprise members with diverse knowledge, experience and skills to support the objectives of each committee. The functions of the committees are structures and anchored on areas of Governance, Risk, Compliance, Finance, Technical matters, Strategy and Human Resources.

**I. Audit and risk management committee:**

The Audit and Risk Management Committee of the Board of Directors assists in fulfilling the Board’s responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Corporation, and such other duties as directed by the Board. The

Audit and Risk Management Committee has non-executive status and serves in an advisory capacity to the Board members.

The committee provides assurance on risk management, governance and internal control and independently advises the Board on these issues.

The committee consists of two independent non-executive directors, one of who is appointed the Committee Chairperson by the Corporation's Board. One of the committee members has recent and relevant financial experience.

The key responsibility of the Audit and Risk management Committee is to support the Board and the Chief Executive Officer by reviewing the comprehensiveness of assurances in meeting the Board's and CEO's assurance needs and reviewing the reliability and integrity of these assurances.

The mandate of the Audit Committee includes:

- a) Ensuring that the Corporation is in full compliance with all statutory issues related to all regulatory bodies and statutory requirements and advising the Corporation's Board on any issues arising.
- b) Assisting the Chief Executive Officer in enhancing internal controls in order to improve efficiency, transparency and accountability and establishing programmes to monitor compliance with the Corporation's Code of Conduct.
- c) Reviewing audit issues raised by both internal and external auditors including responses from management.
- d) Resolving unsettled and unimplemented internal audit findings and recommendations.
- e) Enhancing communication between management, internal and external audit and fostering an effective internal audit function.
- f) Reviewing the quarterly, half-yearly and year-end reports and financial statements of the Corporation.

**Duties & Responsibilities:**

Duties and responsibilities covering areas relating to compliance with internal controls, financial reporting, and governance include: -

- a) Evaluating adequacy of management procedures with regard to issues relating to risk management, control and governance.
- b) Reviewing and approving the audit charter where applicable and the internal audit annual work plans.

- c) Reviewing the systems established to ensure sound financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans, and ethics.
- d) Initiating special audit/investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Chief Executive Officer.
- e) Reviewing the Corporation's quarterly and end of the year reports and financial Statements and submitting the same reports to the full Board.

## **II. Finance, Administration and Human Resource Committee:**

The Committee provides oversight on behalf of the corporation's board on all matters relating to Financial, Investment Management, Human Resources and Administration and reports these to the Board.

The duties and responsibilities include:

- a) Review the annual budgets and recommend to the board for approval.
- b) Review financial performance on both annual and quarterly budgets.
- c) Seek for investment opportunity and recommend to the board.
- d) Review performance on grants and minimize the exposure.
- e) Review investment plans and support management with ideas to increase probabilities and extent of success.
- f) Review Corporation's Cash flow as appropriate.

Human Resources and Administration Management:

- a) Review and approve changes in HR and Administration policies and procedures.
- b) Review and make recommendations to the Board on major changes in the structure of the organization.
- c) Review reports from management with regards to performance in the following areas and make recommendations to management for action: systems for recruitment and termination; appraisal of staff performance; remuneration procurement; transport and fleet management; and general administration.
- d) Propose innovative and efficient HR and administration mechanisms and systems to management and monitor deployment of the same.
- e) Review and advice the Board on important HR and administration issues arising from time to time.
- f) Review Corporation's Strategic Plan and Performance Contracting of staff:

## **III. Technical Committee:**

The Technical management Committee of the Board of Directors assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the dairy value chain decisions, activities, investment and subsequent reporting practices of the Corporation, and such other duties as directed by the Board. Management, the Board, and the Technical Committee all play critical roles in the Corporation's development of the dairy sector. The Technical Committee has non-executive status and serves in an advisory capacity to the Board and the Corporation's management.

The mandate of the Technical Committee includes:

- g) Developing policies geared towards improvements and increased production in the dairy sector, especially milk and milk products.
- h) Supporting the corporation develop self-sustainability strategies through increased revenue collection and expanding revenue streams.
- i) Support the Corporation to develop modern animal feeding strategies and uptake of efficient technologies by dairy sector stakeholders.
- j) Support linkages and transfer of technologies between the corporation and dairy stakeholders including dairy farmers, dairy cooperatives, learning and research institutions.
- k) Reviewing quarterly and yearly Technical reports and advising the corporation on key areas for improvement.
- l) Considering other issues as defined by the Corporation's Board.

**Duties & Responsibilities:**

Duties and responsibilities covering broad areas relating to the dairy value chain shall include:

- a) Ensuring that the Corporation is efficiently and effectively implementing dairy value chain programmes and activities in full compliance with all statutory issues related to the necessary regulatory authorities/ bodies.
- b) Developing policies geared towards improvements in management of dairy value chain programmes/activities especially the management of smart dairy farms and the One cow Initiative programme.
- c) Evaluating the adequacy of management procedures put in place for the programmes prescribed above and recommending for improvement.
- d) Reviewing the Corporation's quarterly and end of the year Technical reports and submitting the reports to the full Board.

**Other oversight arrangements:**

The Corporation being a county public entity is also oversighted by the Internal Audit Department of the County Government, the County Assembly of Kakamega and the Office of the Auditor

General through regular submission of quarterly and end of the year Reports and Financial Statements.

**(f) Entity Headquarters**

P.O. Box 36-50100,  
Sahajanand Building,  
Mumias Road  
KAKAMEGA, KENYA

**(g) Entity Contacts**

Telephone: (254) 716348552  
E-mail: [kakamegadairyco@gmail.com](mailto:kakamegadairyco@gmail.com)

**(h) Entity Bankers**

**1. Kenya Commercial Bank**  
Kakamega-Mumias Road  
P.O. Box 152  
Opposite Khetias Supermarket  
Kakamega, Kenya.

**2. Independent Auditor**

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

**3. Principal Legal Advisers**

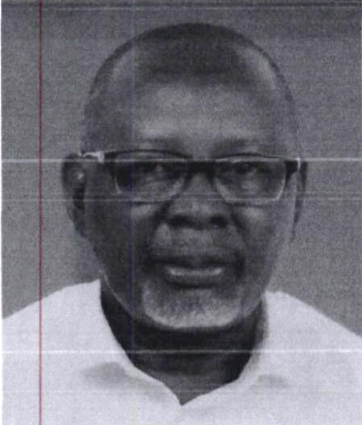

**1. The Attorney General**

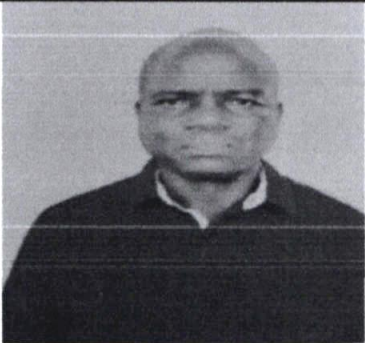
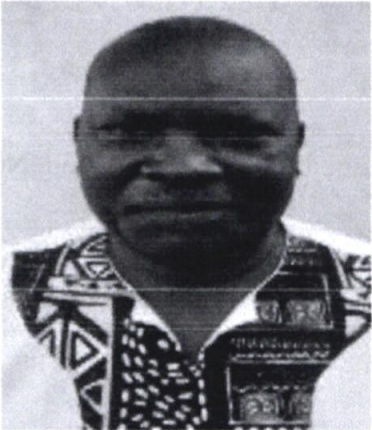
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

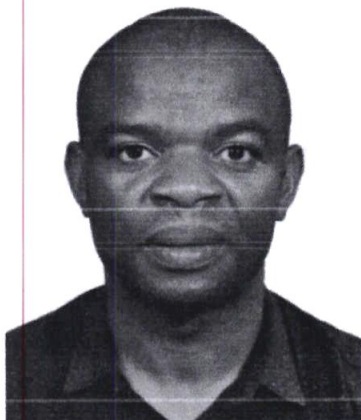
**2. County Attorney,**

Legal Office,  
Kakamega Town,  
P.O. Box 36,  
Kakamega, Kenya.

**3. The Board of Directors/Management**

Directors	Details
 <p>1. Francis Murambi Sikolia</p>	<p><b>Date of birth:</b> 10/02/1966  <b>Independent director</b>                      Chairman of the Board of directors.  <b>Education background</b></p> <ul style="list-style-type: none"> <li>➤ Master of Arts Degree, Economics.</li> <li>➤ Bachelor of Arts Degree, Economics and Sociology.</li> <li>➤ Member, Kenya Climate change working group since 2009.</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>➤ Technical Officer Social Economic Infrastructure Development and Head of M&amp;E at CDTF Kenya</li> <li>➤ Programmes Coordinator ASAL Livelihoods Development Program. Irish Aid in Kenya</li> <li>➤ Project Capacity Building Advisor APRICOM Project Cameroun.</li> <li>➤ Field Coordinator Integrated Food Security and Nutrition program.</li> </ul>
 <p>2. Dr. Angeline Masitsa Savala</p>	<p><b>Date of birth:</b> 27/01/1963  <b>Independent director</b>                      Chairman Finance human resource and administration committee.  <b>Education background</b></p> <ul style="list-style-type: none"> <li>➤ Post- Doctoral Studies</li> <li>➤ Doctor of Philosophy Degree in Religion.</li> <li>➤ Bachelor of arts in Bible and Theology</li> </ul> <p>Strategic Leadership and Change Management</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>➤ Senior lecturer: Departmental exam coordinator MMUST.</li> <li>➤ Director, Fadhili Community development programme</li> <li>➤ Chairperson, free Methodist Bible School Board</li> </ul>

 <p>3. Mr. Joseph Wasike Wambogo</p>	<p><b>Date of birth:</b> 20/04/1963  <b>Independent Director.</b>                  Chairperson Audit and Risk management committee.</p> <p><b><u>Educational background</u></b></p> <ul style="list-style-type: none"> <li>➤ Certified Public Accountant (CPA)</li> <li>➤ Kenya Certificate of Secondary School</li> <li>➤ Kenya Certificate of Primary School.</li> </ul> <p><b><u>Working experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Board of management Chebusi High School.</li> <li>➤ Managing Director: Wabidii works and stocks Agencies.</li> <li>➤ Accounts officer Telcom Kenya.</li> <li>➤ Accounts Clerk Kilimambogo Teachers College.</li> </ul>
 <p>4. Mr. Peter Maero</p>	<p><b>Date of birth:</b> 4/10/1969  <b>Independent Director</b>                  Chairperson Technical committee.</p> <p><b><u>Educational background</u></b></p> <ul style="list-style-type: none"> <li>➤ Master's Degree: project planning and management</li> <li>Bachelor of arts: Sociology and economics</li> </ul> <p><b><u>Work experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Patron: Wanga Rural Community Development Initiative (WRCDI)</li> <li>➤ Technical project coordinator: Lengo ADTC-USAID KAVES project.</li> <li>➤ Consultancy: PATH International, Visionary Rural Development.</li> <li>➤ Consultancy and Winrock International- Western Province Project.</li> <li>➤ Regional Project Officer/Field.</li> <li>➤ Facilitator: Engender Health International.</li> </ul>
	<p><b>Date of birth:</b> 4/02/1982  <b>Independent Director</b>                  Board member</p> <p><b><u>Educational background</u></b></p> <ul style="list-style-type: none"> <li>➤ Bachelor of veterinary medicine</li> <li>➤ Certificate in project management Pro</li> </ul>

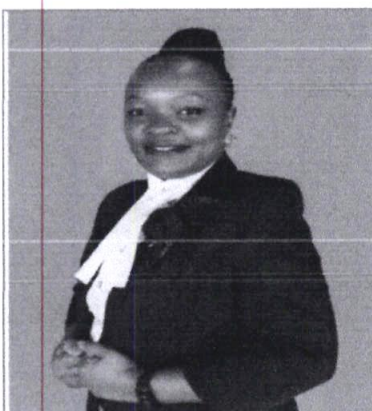


5. Dr. Joachim Kutoyi

- Gender main streaming and social inclusion
- Data analysis (SPSS)

**Work experience**

- Senior dairy expert: Green Innovation Centres for the agriculture and food sector program (GIC)
- Project officer agriculture and livelihoods: Catholic Relief Services Kenya.
- Livestock specialist: Kenya Dairy Farmers Federation.
- Extension manager: Nyala Dairy Multipurpose Cooperative Society LTD.



6. M/s Vivianne Mbaka

**Date of birth:** 17/08/1985

- Executive Director
- County Attorney

**Educational background**

- Masters of Law
- Bachelor of Law

**Work experience**

County Attorney County Government of Kakamega.



7. Dr. Jeophita June Mwajuma

**Date of birth:** 16/11/1971

**Chief Officer, Finance and budget.**




Executive Director

**Education Background**

- Ph. D in Environmental Microbiology
- Masters of Science
- Degree in Microbiology
- Bachelor of Science (Botany and Zoology)

**Experience**

- Chief Officer department of Environment, waste management and energy.
- Senior Lecturer.
- Head of budget and Finance

 <p>8. Jessica Weku Wesonga</p>	<p><b>Date of birth:</b> 23/03/1980</p> <ul style="list-style-type: none"> <li>➤ Chief Officer Livestock fisheries and veterinary</li> </ul> <p><b><u>Educational background</u></b></p> <ul style="list-style-type: none"> <li>➤ Bachelor of business Information Technology</li> </ul> <p><b><u>Work experience</u></b></p> <ul style="list-style-type: none"> <li>➤ 16 years' experience in banking industry</li> </ul> <p>Chief officer livestock fisheries and Veterinary Kakamega County.</p>
 <p>9. Dr. Isaac Lubutsi</p>	<p><b>Date of birth:</b> 17/12/1966</p> <p>Chief Executive officer              Ex officio member</p> <p><b><u>Education Background</u></b></p> <ul style="list-style-type: none"> <li>➤ Bachelor of Veterinary Medicine</li> <li>➤ Certificate in Participatory Epidemiology</li> <li>➤ Certificate I Participatory Disease Surveillance</li> <li>➤ Certificate in Community Manage Disaster Risk Reduction (CMDRR)</li> <li>➤ Certificate in Conflict Sensitive Programming – Do No Harm Approach</li> </ul> <p><b><u>Experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Program manager EU Funded Omo Delta Project</li> <li>➤ Project Manager EU Funded Community Action for Improved Drought Response and Resilience</li> <li>➤ Project Officer EU Funded ECHO LANINA I, II, III Projects</li> <li>➤ Field Veterinary Supervisor ECHO LANINA Funded Project</li> </ul>
 <p>10. Ezekiel Sukume Lumbasi</p>	<p><b>Date of birth:</b>14/11/1970</p> <p>Ag. Chief Executive Officer</p> <p><b><u>Education background</u></b></p> <ul style="list-style-type: none"> <li>• BSc. Animal Production</li> </ul> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Assistant director production breeding and quality assurance KDDC</li> <li>➤ Field officer participatory approaches for integrated development Bungoma County</li> <li>➤ SCC-VI Agroforestry EA Kilifi livestock research person.</li> <li>➤ Resident livestock consultant Jefa farm dairy limited</li> </ul>




	Uganda. ➤ General manager farms Hussein dairy farm limited ➤ Livestock manager Ndera Ranch Limited Voi
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**Note:** Dr. Isaac Lubutsi resigned from the position of KDDC Chief Executive Officer on 13<sup>th</sup> march 2024 while Mr. Ezekiel Sukume Lumbasi took over as the acting Chief Executive Officer on 18<sup>th</sup> March 2024.

#### 4. Key Management Team

Ref	Name	Details of qualifications and experience
1	Dr. Isaac Lubutsi  	<p><b>Date of birth:</b> 17/12/1966</p> <p>Chief Executive officer</p> <p><b><u>Education Background</u></b></p> <ul style="list-style-type: none"> <li>➤ Bachelor of Veterinary Medicine</li> <li>➤ Certificate in Participatory Epidemiology</li> <li>➤ Certificate I Participatory Disease Surveillance</li> <li>➤ Certificate in Community Manage Disaster Risk Reduction (CMDRR)</li> <li>➤ Certificate in Conflict Sensitive Programming – Do No Harm Approach</li> </ul> <p><b><u>Experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Program manager EU Funded Omo Delta Project</li> <li>➤ Project Manager EU Funded Community Action for Improved Drought Response and Resilience</li> <li>➤ Project Officer EU Funded ECHO LANINA I, II, III Projects Field Veterinary Supervisor ECHO LANINA Funded Project</li> </ul>

Kakamega County Dairy Development Corporation  
 County Government of Kakamega  
 Annual Report and Financial Statements for the year ended June 30, 2024.

2.	<p>Ezekiel Sukume Lumbasi</p> 	<p>Date of birth:14/11/1970</p> <p>Ag. Chief Executive Officer</p> <p><b><u>Education background</u></b></p> <ul style="list-style-type: none"> <li>• BSc. Animal Production</li> </ul> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>➤ Assistant director production breeding and quality assurance KDDC</li> <li>➤ Field officer participatory approaches for integrated development Bungoma County</li> <li>➤ SCC-VI Agroforestry EA Kilifi livestock research person.</li> <li>➤ Resident livestock consultant Jefa farm dairy limited Uganda.</li> <li>➤ General manager farms Hussein dairy farm limited</li> <li>➤ Livestock manager Ndera Ranch Limited Voi</li> </ul>
2	<p>CPA Ashyline Ambetsa</p> 	<p>Date of birth :07.09.1998</p> <p>Accountant</p> <p><b><u>Education Background</u></b></p> <ul style="list-style-type: none"> <li>• Bachelor of Economics</li> <li>• Certified Public Accountant</li> <li>• Accounting Packages and Software</li> <li>• Google Data Analytics</li> </ul> <p><b><u>Work Experience</u></b></p> <ul style="list-style-type: none"> <li>➤ 3 year of experience in the Accounting field</li> <li>➤ Accountant Grohney Co and Associate.</li> <li>➤ Intern Kenya Revenue Authority</li> </ul>
3	<p>Joynah Otando Wabuyabo</p> 	<p>Date of birth: 07/08/1965</p> <p>One cow initiative Coordinator</p> <p><b><u>Education Background</u></b></p> <ul style="list-style-type: none"> <li>• Certificate in Dairy Technology</li> <li>• Diploma in animal Husbandry</li> </ul> <p>Innovation platforms formation and maintenance.</p> <p><b><u>Experience</u></b></p> <p>35 years of experience since 1987 in extension services and coordination of programs and projects.</p>
5	<p>Lilian Achoka</p>	<p>Date of birth: 22/06/1979</p> <p>Office Administrator</p>

		<p><b><u>Work Experience</u></b>                  14 years of experience since 2010 in Secretarial Management.</p> <p><b><u>EDUCATION BACKGROUND</u></b></p> <ul style="list-style-type: none"> <li>• Diploma in Secretarial Studies</li> <li>• Public relations and customer care.</li> </ul>
6	<p>Daniel Mwangi Ludenyo</p> 	<p>Date of birth: <b>17/12/1981</b></p> <p>Livestock Production Officer.</p> <p><b><u>Education Background</u></b></p> <ul style="list-style-type: none"> <li>➤ Animal Production.</li> <li>➤ Diploma in animal production and health management.</li> <li>➤ Certificate in animal health and production.</li> </ul> <p><b><u>Experience</u></b>                  6 years of experience since 2016 in livestock production and extension services.</p>

## **5. Chairman's Statement**

On behalf of the Board of Directors (BoD) of the Kakamega County Dairy Development Corporation (KDDC), I have the honour to forward the Annual Report and Financial Statement for the Financial Year ended June 30, 2024.

The Corporation was established by an act of the County Assembly of Kakamega County in the year 2018 to provide a legal framework for the development of dairy value chain in Kakamega County. The Act therefore provides for the role of the corporation in the dairy industry in the county and related matters in furtherance of the Fourth schedule of the Constitution and for connected purposes.

The Board comprises nine members including (a) a non-executive Chairperson appointed by the Governor; (b) accounting officer for the county department responsible for livestock development; (c) Chief Officer responsible for finance; (d) County Attorney; (e) Chief Executive Officer who is an ex officio member; (f) three members with relevant qualifications appointed by the Executive Committee Member (g) one person nominated by Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member of parent department.

The Board is fully alive to its mandate and the fact that KDDC, having been established in the year 2018 is in its formative years and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies.

The Corporation aspires to be the best in the dairy value chain in the Country through the adoption of best dairy value chain practices as well as the development and use of key instruments necessary for successful corporate governance in line with Mwongozo Code.

During the period under review, the Board executed its functions well through its three committees: Technical; Finance, Human Resource & Administration, and Audit & Risk Management respectively. The committees were vibrant throughout the year, and each met at least three times, followed by 2 full board meetings.

Under the Board's leadership, the Corporation effectively reviewed its five (5) year Strategic Plan and a Service Charter. The Strategic Plan was validated and now awaits approval of H.E. the Governor for it to be published and officially launched. The Strategic Plan will enable the

corporation work towards a common goal, while ensuring sound management and reduction of operational risks.

The Board worked with the corporation's management to develop and approve the Corporation's Annual Budgets, Procurement Plans, Work Plans and Board Calendars for the FY 2023-24.

The Board conducted one supervisory/oversight visit to all operational smart dairy farms and the corporation's new projects (construction of five new smart dairy farms). Arising from these supervisory visits, recommendations on necessary improvements on both operational and smart dairy farms still under construction were made.

In addition to the four operational smart dairy farms, the Board recommended completion, handing over, equipping and operationalization of one additional smart dairy farm

The Board is pleased with the operational and financial results delivered by management. However, KDDC being a young corporation has faced several challenges. The Board has noted that the corporation faced transitional challenges following the resignation of the CEO accompanied by cash flow challenges during the reporting period. There were delays in cash flow disbursements and underfunding from the exchequer on the approved budget, thus affecting implementation of planned activities.

The corporation also relies on seconded staff from line departments in key management positions and during the period under review two of the seconded staff were redeployed soon after the resignation of the CEO and are yet to be replaced. There is need in future for corporation to focus on competitively recruiting and deploying these staff.

For sustainability, the corporation requires to increase its own source revenues through completion and operationalization of additional seven smart dairy farms, intensifying commercial activities at the smart farms, increased revenue collection, expanded revenue streams and creating partnerships with non-state actors/donors and research institutions.

The Board intends to support the corporation mobilize dairy farmers, dairy cooperative societies, and other stakeholders to increase milk production and formalise milk aggregation through dairy

cooperative societies in order to have enough milk in preparation for the operationalization of the Malava milk processing plant.

The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable the corporation complete the construction of Smart Farms in each of the twelve sub-counties, operationalize the milk processing plant at Malava, perpetuate the One-Cow Initiative programme and enhance the formation of milk producer groups/cooperative societies.

The Board acknowledges the support and good working relationship with the departments of Agriculture, Livestock, Fisheries & Cooperatives and Finance budget, Economic Planning, ICT, e-Government; and Office of the Governor as well as the Office of the County Attorney.

Signed



**Mr. Francis Murambi Sikolia,**  
**Chairperson, Board of Directors.**

## **6. Report of the Chief Executive Officer**

The Chief Executive Officer of Kakamega County Dairy Development Corporation (KDDC) is pleased to submit the Annual Reports and Financial Statements for the Financial Year ending June 30, 2024.

KDDC was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The Principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; developing and maintaining milk processing plant in the county; conducting research; assisting in maintenance of dairy facilities; and assisting dairy farmers to source for affordable dairy farm inputs and machinery.

The Corporation is currently implementing two major livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County, 6 in progress while 4 are operational and the distribution of dairy cows through the One Cow Initiative (OCI) programme.

The developed smart farms are enabling farmers and students from within the localities to be trained on best practices in dairy value chain geared towards improving milk production and incomes at household levels. They are also learning centres for local farmers and students from schools and institutions within. Milk collected from the smart farms is sold to local communities and revenue banked in the revenue account to support farm operations.

Kakamega County is milk deficient and relies on raw and processed milk imports from neighbouring counties. The mandate and focus of the corporation is to reverse this situation and make the county be raw and processed milk surplus while improving the household economic livelihoods of dairy farmers across the county.

It is planned that once the construction and operationalization of Malava milk processing plant in Malava sub county is completed, the corporation's smart dairy farms will act as collection/chilling centres for milk from local farmers for onward transmission to the processing plant for value addition. The smart farms will also supply their milk to the milk factory.

Also in this period, the corporation continued to supervise the construction of five new smart dairy farms in Ikolomani, Butere, Mumias East, Navakholo and Likuyani sub counties. The completion rates for these projects currently stand at between 42% and 95%. Once they are completed and operationalized, the farms will increase the entire dairy herd to over 250 animals.

In the reporting period, the corporation operated four Smart Dairy Farms (SDFs) namely Bukura SDF in Lurambi Sub- County, Matungu SDF in Matungu Sub-County, Kabras SDF in Lugari Sub-County and Khwisero SDF in Khwisero Sub County. Each smart dairy farm holds about 26 pedigree dairy animals at one time for optimal production.

At the close of the financial year, the total population of animals in the four smart dairy farms was 139, with 71 mature cows, 4 in-calf heifers, 38 bullying heifers, 17 weaner heifers and 9 female calves.

In this reporting period, the four smart farms, with an average lactating herd of 35 dairy animals produced a total of 85,403 litres of milk, of which 15,624 litres were consumed by calves while 69,779 litres, 9 bull calves and 105 tons of manure were sold generating a total revenue of Ksh 4,336,741, representing a 43.1% production on the target. This was attributed to inconsistency in purchase of supplies of production attributed to delays in disbursement of funds from the exchequer.

The heifers born on the four smart farms are bred and prepared for operationalization of Malava Modern smart farm while bull calves are sold for revenue.

The Construction of Malimili Smart Dairy farm in Shinyalu Sub County that commenced in the FY year 2019/2020 was stopped by a court order following a case filed by a litigant and the case is on-going in court.

It is important to note that the Corporation was established in the year 2018 and is undergoing reorganization and restructuring to align itself to County, National and International standards of corporate Governance. Currently majority staffs working at the corporation are seconded from the County Government line departments. The corporation has developed its organizational structure and foresees competently hiring some these key staff in the near future.

It is also important to note that in the reporting period, the Corporation reviewed its five (5) year Strategic Plan to align it to H.E the Governor's manifesto. The strategic plan will help in

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determining the direction for corporation through focused efforts ensuring that everyone in the corporation is working towards a common goal. It will also help the corporation to manage and reduce operational risks. The corporation has also in previous years developed its logo and service charter.

The corporation's management and Board of Directors are working tirelessly to formulate other necessary instruments for good corporate governance including requisite policies and Standard Operating Procedures (SOPs). All these are intended to put the corporation on solid foundation to deliver its mandate to the dairy sector in Kakamega County.

I want to acknowledge the special support we, as the management have received from H.E. the Governor; the Corporation's Board of Directors; Departments of Finance, budget, Economic Planning, ICT, e-Government; Office of the Governor and Agriculture, Livestock, Cooperatives and Irrigation; County Attorney and the entire KDDC staff for their support during the reporting period.



Signed

**Mr. Ezekiel Sukume Lumbasi,**  
**Ag. Chief Executive Officer,**

**7. Statement of Performance against Predetermined Objectives for FY 2023/2024**

The Kakamega County Dairy Development Corporation has 7 strategic areas and objectives within the current Strategic Plan for the FY 2023/2028. These strategic areas are as follows:

- Area 1: Quality commercial dairy livestock reared and bred.
- Area 2: Best practices in dairy value chain adopted.
- Area 3: A ready market for milk from dairy farmers created.
- Area 4: A milk processing plant established and maintained.
- Area 5: Research in the field of dairy farming undertaken and promoted.
- Area 6: Dairy training facilities set up/established.
- Area 7: Strengthened organizational capacity for improved delivery of KDDC mandate.

The Corporation develops its annual work plans based on the above seven (7) Areas. Assessment of the Board’s performance against its annual work plan is done on a yearly basis.

The table below shows a matrix of strategic areas, strategic objectives and strategies as outlined in the corporation’s Strategic Plan.

S/N	Strategic Area	Strategic Objectives	Strategies	
1.	Quality commercial dairy livestock reared and bred	To provide land for dairy farming and related activities	Purchase land for establishment of smart dairy farms and fodder production	
			Establish smart dairy farms	
		To improve the quality of dairy livestock for increased milk production	Stock appropriate quality dairy animal breeds through the one cow initiative	
			To develop an appropriate feeding regime and dairy animal care program	Increase the amount of milk produced and sold
				Breed and sale quality heifers to dairy farmers
				Acquire farm machinery to improve farm mechanization and hence increase productivity
Document and implement appropriate feeding regime				
Establish and implement a pasture and fodder development plan				
2.	Best practices in	To develop an	Establish and implement a disease control and	

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	dairy value chain adopted	appropriate feeding regime and dairy animal care program To create a market for milk for dairy farmers	herd health management program Promote adherence to animal welfare practices Enrol KDDC with Kenya Stud Book and Dairy Recording Service of Kenya Adhere to best milking and post-milking practices Engage the cooperative sector to create viable dairy cooperative societies Link dairy farmers to dairy cooperative societies
3.	A ready market for milk from dairy farmers created	To source for markets and marketing opportunities for milk and milk-related additives	Collaborate with partners to provide milk bulking facilities to dairy cooperative societies
4.	A milk processing plant established and maintained	To develop and maintain a milk processing plant To promote and assist in establishing dairy training facilities	Participate in the supervision and oversight of construction of the milk processing plant Develop a framework for running of the factory
5.	Research in the field of dairy farming undertaken and promoted	To undertake and promote research in the field of dairy farming in collaboration with other relevant stakeholders	Partner with appropriate research organizations to undertake research in the field of dairy farming Implement dairy farmers training programs
6.	Dairy training facilities set up/established	To assist dairy farmers with advisory services on dairy value chain for improved milk production To support dairy farmers with dairy livestock	Provide advisory services to dairy farmers Provide support to dairy farmers to acquire high quality dairy animal breeds through the one cow initiative and sale of heifers Develop and implement dairy farmers training programs in the dairy value chain

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		initiatives for improved dairy productivity.	
7.	Strengthened organizational capacity for improved delivery of KDDC mandate	To build the capacity of the organization to enable delivery on its mandate	Put in place an appropriate organization structure and staffing levels  Provide appropriate office infrastructure for improved operations

The Corporation achieved its performance targets set for the *FY 2023-24* period for its 6 strategic pillars/areas, as indicated in the table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Quality commercial dairy livestock reared and bred	To provide land for dairy farming and related activities	<ul style="list-style-type: none"> <li>No. of operational SDFs</li> <li>No. of new SDFs</li> </ul>	<ul style="list-style-type: none"> <li>Establish smart dairy farms</li> </ul>	<ul style="list-style-type: none"> <li>4 operational SDFs</li> <li>6 new SDFs under construction</li> </ul>
	To improve the quality of dairy livestock for increased milk production	<ul style="list-style-type: none"> <li>No of in-calf heifers distributed</li> <li>No. of heifer pas-ons</li> <li>Litres of milk produced on operational SDFs</li> <li>No of farm</li> </ul>	<ul style="list-style-type: none"> <li>Stock appropriate quality dairy animal breeds through the one cow initiative.</li> <li>Increase the amount of milk produced and sold</li> <li>Acquire farm machinery to improve farm mechanization and hence increase productivity</li> </ul>	<ul style="list-style-type: none"> <li>113,724.7 litres of milk produced</li> </ul>

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			machinery purchased		
		To develop an appropriate feeding regime and dairy animal care program	<ul style="list-style-type: none"> <li>Feeding regime manual developed</li> </ul>	<ul style="list-style-type: none"> <li>Document and implement appropriate feeding regime</li> </ul>	<ul style="list-style-type: none"> <li>One feeding regime manual developed and disseminated.</li> </ul>
Best practices in dairy value chain adopted		To develop an appropriate feeding regime and dairy animal care program	<ul style="list-style-type: none"> <li>No of animals registered by the Kenya stud book</li> </ul>	<ul style="list-style-type: none"> <li>Enroll KDDC with Kenya Stud Book and Dairy Recording Service of Kenya</li> </ul>	<ul style="list-style-type: none"> <li>130 animals registered by the Kenya stud book</li> </ul>
A ready market for milk from dairy farmers created		To source for markets and marketing opportunities for milk and milk-related additives To develop and maintain a milk processing plant	<ul style="list-style-type: none"> <li>No. of site meetings held</li> <li>No of supervisory site visits</li> </ul>	<ul style="list-style-type: none"> <li>Participate in the supervision and oversight of construction of the milk processing plant</li> </ul>	<ul style="list-style-type: none"> <li>7 site meetings held</li> <li>11 supervisory site visits</li> </ul>

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A milk processing plant established and maintained	<p>To develop and maintain a milk processing plant</p> <p>To promote and assist in establishing dairy training facilities</p>	<ul style="list-style-type: none"> <li>No. of site meetings held</li> <li>No of supervisory site visits</li> </ul>	<ul style="list-style-type: none"> <li>Participate in the supervision and oversight of construction of the milk processing plant</li> </ul>	<ul style="list-style-type: none"> <li>7 site meetings held</li> <li>11 supervisory site visits</li> </ul>
	<p>To assist dairy farmers with advisory services on dairy value chain for improved milk production</p>	<ul style="list-style-type: none"> <li>No of farmers trained under the One Cow Initiative</li> <li>No. of farmers trained through SDFs</li> </ul>	<ul style="list-style-type: none"> <li>Provide advisory services to dairy farmers.</li> </ul>	<ul style="list-style-type: none"> <li>1366 farmers/student s trained at SDFs</li> </ul>
Dairy training facilities set up/established	<p>To support dairy farmers with dairy livestock initiatives for improved dairy productivity</p>	<ul style="list-style-type: none"> <li>No. of farmers supported</li> </ul>	<ul style="list-style-type: none"> <li>Provide support to dairy farmers to acquire high quality dairy animal breeds through the one cow initiative and sale of heifers</li> </ul>	
Strengthened organizational capacity for	<p>To build the capacity of the</p>	<ul style="list-style-type: none"> <li>Organogram in place</li> <li>Staff</li> </ul>	<ul style="list-style-type: none"> <li>Put in place an appropriate organization structure and staffing levels</li> </ul>	<ul style="list-style-type: none"> <li>Organogram reviewed by Board</li> </ul>

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improved delivery of KDDC mandate	organization to enable delivery on its mandate	trainings <ul style="list-style-type: none"> <li>Office infrastructure (chairs, tables, laptops etc)</li> </ul>	<ul style="list-style-type: none"> <li>Provide appropriate office infrastructure for improved operations</li> </ul>	
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The current Board and the CEO are developing comprehensive performance contracts based on the reviewed Strategic Plan that will be implemented in the FY 2024/25.

## **8. Corporate Governance Statement**

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.

The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.

The chairperson of the Board is appointed by the Governor while other independent members are appointed by the Executive Committee Member for Agriculture, Livestock, Fisheries and cooperatives.

The recruitment of the Chairperson and members of the Board is conducted by a selection panel (chairperson and four other persons appointed by the CECM Agriculture, Livestock, Fisheries and Cooperatives) consisting of: one person representing the County Public Service Board, one person representing dairy farmers in the county; one person representing cooperatives movement in the county and one person representing the department for Agriculture, Livestock, Fisheries and Cooperatives.

The selection panel which regulates its own procedure, advertises the vacancies and publicizes the names of applicants and shortlisted candidates in at least one local daily newspaper and on the county government website.

In the case of the chairperson, three names are submitted to the Governor to select and appoint one person while in the case of members, eight names are submitted by a selection panel to the County Executive Committee Member for Agriculture, Livestock and Cooperatives for appoints.

In determining the nomination criteria for the chairperson and members of the Board, the selection panel shall have regard to the objectives of the development of the dairy industry in the county. The

selection panel shall ensure that those nominated shall not have conflict of interest in serving as chairperson and members of the Board. The selection panel stands dissolved after the appointment of the chairperson and members of the Board.

The roles and functions of the board include:

- I. Ensuring that the strategy of the corporation is aligned to the purpose of the corporation and legitimate interests and expectations of the taxpayers.
- II. Ensuring that the strategy of the corporation is aligned to long term goals of the organization on sustainability.
- III. Approving the corporation's organizational structure, annual budgets and work plans.
- IV. Monitoring the performance of the corporation to ensure sustainability.
- V. Ensure corporate image of the corporation.
- VI. Ensure adequate resources for the achievement of the corporation's objectives.
- VII. Hire the CEO in liaison with the County Public Service Board and ensure effective communication.

The board provides oversight and policy direction to the corporation through three committees. i.e. technical committee; Finance, Administration & Human Resource committee and Audit & Risk management committee. The committees comprise members with diverse knowledge, experience and skills to support the objectives of each committee. The functions of the committees are structures and anchored on areas of Governance, Risk, Compliance, Finance, Technical matters, Strategy and Human Resources.

The Audit and Risk Management Committee of the Board of Directors assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Corporation, and such other duties as directed by the Board. The Audit and Risk Management Committee has non-executive status and serves in an advisory capacity to the Board members.

The committee provides assurance on risk management, governance and internal control and independently advises the Board on these issues.

The committee consists of two independent non-executive directors, one of who is appointed the Committee Chairperson by the Corporation's Board. One of the committee members has recent and relevant financial experience.

The key responsibility of the Audit and Risk management Committee is to support the Board and the Chief Executive Officer by reviewing the comprehensiveness of assurances in meeting the Board's and CEO's assurance needs and reviewing the reliability and integrity of these assurances.

The Finance, Administration & Human Resource Committee provides oversight on behalf of the corporation's board on all matters relating to Financial, Investment Management, Human Resources and Administration and reports these to the Board.

The duties and responsibilities include: Review the annual budgets and recommend to the board for approval; Review financial performance on both annual and quarterly budgets, Seek for investment opportunity and recommend to the board, Review performance on grants and minimize the exposure, Review investment plans and support management with ideas to increase probabilities and extent of success, Review Corporation's Cash flow as appropriate.

The Technical management Committee assists in fulfilling the Board's responsibility for oversight of the quality and integrity of the dairy value chain decisions, activities, investment and subsequent reporting practices of the Corporation, and such other duties as directed by the Board. Management, the Board, and the Technical Committee all play critical roles in the Corporation's development of the dairy sector. The Technical Committee has non-executive status and serves in an advisory capacity to the Board and the Corporation's management.

The current Board was also competitively recruited and assumed office in the month of May 2023. The current Board was inducted upon assumption of office. They were also oriented to operations, programmes and activities of the corporation through workshops. The current board held one comprehensive oversight tours of the corporation's facilities and projects.

The current board comprises of three key committees with their TORs being developed within the corporation's act. These are: Technical committee (six members); Finance and Administration committee (seven members) and Audit & Risk committee (three members).

In the reporting period, the board held two full board meetings and one special full board meeting attended by all members, three technical committee meetings; three Finance and Administration committee meetings and one Audit and Risk committee meeting.

The board maintained a declaration of interest book. At the beginning of all board and committee meetings, members were requested to declare if they had any conflict-of-interest issues on the

agenda at hand. In all the committee and full board meetings held in the reporting period, no member declared interest in any issues that were lined up on the agenda.

The full board met and approved the corporation's FY 2023-24 budgets, procurement plan and work plans.

During the reporting period all members dedicated their time and resources to support the cooperation fulfil its mandate. All the independent board members attended all meetings that were called for. They vibrantly contributed to their committee agendas through their background technical skills and experience. There were no reported cases of conflict of interest.

The current board intends to develop its charter as it reviews the Strategic Plan to align it to the Governor's manifesto and six-point agenda.

The Board members are paid sitting allowances of between KES 4,000 and KES 15,000 while attending board meetings. Independent Board members are also reimbursed travel allowances as per the SRC/Head of Public Board circulars and County Public Service Board recommendations.

The current Board is working on a succession plan policy that will be presented to the cabinet for approval.

## **9. Management Discussion and Analysis**

The corporation, established in the year 2018, is about five years into existence and is currently implementing two major programmes namely the establishment of twelve (12) smart dairy farms, one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative Programme). The main objectives of these programs are to increase milk production across the county; to increase household incomes among dairy farmers; improve nutrition especially for children under 5 years of age; create jobs especially among the youth and provide farmer training and milk aggregation centres across the county.

The Principal mandate of the Corporation is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; developing and maintaining milk processing plant in the county; conducting research; assisting in maintenance of dairy facilities; and assisting dairy farmers to source for affordable dairy farm inputs and machinery.

The Corporation is currently implementing two major livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County and the distribution of dairy cows through the One Cow Initiative (OCI) programme.

One Cow Initiative Programme; Smallholder dairy production accounts for over 99% of the total milk production in Kakamega County and supports more than 68,000 smallholder dairy farmers in the County. Total annual milk production in 2016 was approximately 145, 800,000 litres. Production for 2017 was promising and increased by more than 2% thus reducing the deficiency to 34%. The potential for milk production remained high.

The approximate total cattle population in Kakamega County is 452,060; out of which 286, 277 are zebu and 167, 783 are grade cattle (Source - Annual Report – Department of Agriculture and Livestock). The dairy cattle population in Kakamega County produces about 171 million litres of milk annually. The milk that is formally marketed in the County is about 80 million litres, representing about 46.5% of annual production.

It was against the huge milk deficit in spite of the huge potential for milk production and prospects for alleviating poverty that prompted the County Government to come up with the “One Cow per House hold Initiative Programme”, guided by the Dairy and Livestock task force report of 2014 which resulted to a Proposal for One Cow initiative in Kakamega County to be drafted and approved by the County Assembly in 2014.

The programme was initiated in the County as one of the flagship programmes in the year 2015 with the main objective geared towards alleviation of poverty, improving food security and employment creation.

The programme was initially managed by the line Department of Agriculture, Livestock, Fisheries and Cooperatives (Phase 1 and Phase II) but later it was transferred to Kakamega County Dairy Development Corporation (after its creation) and whose mandate is to spearhead the development of the dairy value chain in the County as per the Corporation’s Act of 2018.

Since 2016 milk production has increased from 145, 800,000 litres to 182, 600,000 litres in 2021 (Department of Livestock Production Annual Report 2021).

Since inception, the project has been implemented in three phases bringing the total number of in-calf heifers distributed to 1,970 across the County. A total 1,116 heifers have also been passed on to other beneficiaries.

Implementation of the One Cow Initiative programme brings on board all stakeholders in the dairy value chain in the County including Ward and Sub County Administrators (who chair vetting

committees), relevant line Department Agriculture, Livestock, Veterinary and Cooperatives services, farmers and other organizations as stipulated in the implementation guidelines.

The programme initially targeted (phase I and II) the less advantaged/poor beneficiaries who would be able to manage the animals well and be able to give to another farmer a heifer on delivery (pass on), for sustainability of the programme.

Due to increased mortalities of initial animals noted in phase I and II that was largely attributed to inability of the beneficiaries to take good care of the animals, in phase III and IV the selection criteria for targeting beneficiaries were amended to target beneficiaries with ability to care and manage the animals. This led to a reduction in mortalities in phase III and IV.

The committees involved in implementation process are outlined in the implementation guidelines.

The composition of the ward vetting committee includes:

- I. Ward Administrator-chairperson,
- II. Ward Livestock Production Officer-Secretary,
- III. Representative of area member of County Assembly,
- IV. Cooperatives Officer,
- V. Women/youth / persons with disability who is a member of a dairy cooperative,
- VI. Religious community representative,
- VII. Community Area Council Member for Agriculture

## **10. Environmental and Sustainability Reporting**

### **i) *Sustainability strategy and profile***

The corporation has developed and operationalized five smart dairy farms and is currently developing 5 more smart dairy farms across the county for commercial rearing of dairy animals. The milk produced on the Smart Dairy Farms is sold to the local community and revenue banked to sustain the Corporation's activities. The male bull calves born on the farm are sold and revenue banked while female calves are raised into heifers that are later distributed to newly constructed Smart Farms thus saving the corporation cash that would have been used to procure cows from outside.

The four developed and operational smart farms netted Kshs. 4,336,741.00 for the corporation. This money will be ploughed back into the corporation to improve its facilities and operations.

### **ii) *Environmental performance***

The Corporation has developed its five-year Strategic Plan, and its environmental policy has been captured in this plan. However, the entire corporations completed; on-going and planned projects comply with requisite environmental laws and seek approval from bodies implementing environmental laws including NEMA and department of Public Health. Our staffs are also well trained on issues of biodiversity, biosecurity and waste management especially on our dairy smart farms.

The Corporation intends to develop and embed environmental policy in future as it develops into a strong corporation.

The operational smart farms collect animal waste which is stored in carefully designed slurry pits. The slurry waste is spread after maturity into the fodder farms to improve manure content and reduce on use of chemical/commercial fertilizers.

The corporation is already partnering with non-state actors like Regen Organics, Ripple Effect and GIZ in developing waste management programs geared towards reducing environmental impact especially on managing animal waste into organic manure through a 360-degree process. The processed manure is being used by the corporation on its fodder farms reducing the usage of fertilizers. Excess manure is sold to local farmers improving revenue collection.

**iii) *Employee welfare***

The Corporation has developed its five-year Strategic Plan, and its environmental policy has been captured in this plan. However, the entire corporations completed; on-going and planned projects comply with requisite environmental laws and seek approval from bodies implementing environmental laws including NEMA and department of Public Health. Our staffs are also well trained on issues of biodiversity, biosecurity and waste management especially on our dairy smart farms.

The Corporation intends to develop and embed environmental policy in future as it develops into a strong corporation.

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**iv) *Market place practices-***

**a) *Responsible competition practice.***

The Corporation being a county agency has trained its entire staff on code of conduct of public servants and the Ethics and Anticorruption Act. The Corporation is funded by the public funds and ensures high standards of corporate governance. Our farm products are priced fairly and even attract young Kenyans who buy milk from the corporation and continue to retail it at a profit to the public. The entire corporation's staffs conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.

**b) Responsible Supply chain and supplier relations**

The Corporation being a public entity works within structures created by the national and county governments that govern public procurement. The Corporation works within the confines of public procurement act and public finance management act. The corporation respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help her improve skills in public procurement management.

**c) Responsible marketing and advertisement**

The Corporation sells milk which is its major product at reasonable market rate prices ensuring that it does not undercut upcoming dairy farmers in the locality.

**d) Product stewardship**

All the Corporation's smart farms are managed with consumer rights and interests as a first considering. They adhere to public health regulations and guidelines while producing and selling milk products

**i) Corporate Social Responsibility / Community Engagements**

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the *Corporation's* affairs.

**i) Principal activities**

The principal activities of the Entity are (continue to be)

- Engaging in the commercial rearing and breeding of dairy livestock.
- Develop, promote and adopt the best practices in the dairy value chain.
- Creating a ready market for milk for dairy farmers.
- Developing and maintaining a milk processing plant in the County.
- Undertaking and promoting research in the field of dairy farming.
- Promoting or assisting in the setting up of dairy training facilities.
- Providing advisory services to stakeholders of dairy farming.
- Facilitating acquisition of farm inputs and machinery subsidy.
- Promote Dairy Cooperative activities within the County.

**Services offered by the Corporation:**

The Corporation through its service charter offers the following services:

S/NO	SERVICE PROVIDED	CUSTOMER OBLIGATION	CHARGES (KSH)	DURATION	SERVICE DELIVERY POINT
1.	Customer/visitors reception and response to general inquiries	Courtesy (visit Headquarters/SDF)	Free	Immediately	Corporation Headquarters All Smart Dairy Farms
2.	Telephone calls	Courtesy	Free	First 3 rings	Corporation Headquarters All Smart Dairy Farms
3.	Routine correspondence	Courtesy	Free	Within 5 days	Corporation Headquarters All Smart Dairy Farms
4.	Technical correspondence	Courtesy	Free	Within 14 days	Corporation Headquarters All Smart Dairy Farms
5.	Provision of training and advisory services	Letter of request/on need basis	Determined by nature/type of training	1 Day - 1 Month	Corporation Headquarters All Smart Dairy Farms
6.	Sale of milk	Courtesy	Kshs. 60 per litre	Immediately	All Smart Dairy Farms
7.	Sale of heifers	Courtesy	Kshs. 150,000	Periodically (When available)	All Smart Dairy Farms
8.	Sale of cow culls	Courtesy	Reserve price set by the Valuer	Within 6 months	All Smart Dairy Farms
9.	Sale of bull calves	Courtesy	Kshs. 5,000	1 Week (When available)	All Smart Farms

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10.	Sale of manure	Courtesy	Kshs.1,000 per ton	1 Week (When available)	All Smart Dairy Farms
11.	Facilitate access to milk cooling and bulking centres	Make milk available	Charges to be determined by the Board	Immediately	All Smart Dairy Farms
12.	Facilitate formation/strengthening of organized group milk marketing channels	Courtesy	As per the Cooperative Society Act	1 Month	Corporation Headquarters
13.	Procure and distribute in calf heifers	List of potential beneficiaries	Free	Periodically	At Ward level
14.	Facilitate pass-on of one cow initiative heifers	List of potential beneficiaries	Free	Periodic (Every after 3 months)	At the Ward level
15.	Award of tenders and quotations	Tender/ Quotation Documents	As per provisions of Public Procurement Act of 2015	30 Days	Corporation Headquarters
16.	Supervision of construction works at Smart Dairy Farm projects	Work implementation on schedules by contractors	Free	As per specified period in the schedule	Corporation Headquarters All Smart Dairy Farms
17.	Monitoring of projects	Work implementation on schedules	Free	As per specified period/work plans	Corporation Headquarters All Smart Dairy Farms and farmers

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18.	Merchant payment processing	Provide invoice, delivery notes and certificates of completion	Free	7 days	Corporation Headquarters
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**ii) Results**

The results of the Corporation for the year ended June 30, 2024, are set out on pages 1 to 7

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page xiii to xvi

**iv) Auditors**

The Auditor-General is responsible for the statutory audit of the Kakamega Dairy Development Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

*Rindy* .....

**Name**

**Corporation Secretary/Secretary to the Board**

## **12. Statement of Directors Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act) require the Directors to prepare financial statements in respect of that Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year. The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year ended on June 30, 2024. 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 Corporation.
- (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 Corporation.
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2024, and of the Corporation's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the

**Kakamega County Dairy Development Corporation**

County Government of Kakamega

**Annual Report and Financial Statements for the year ended June 30, 2024.**

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Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Corporation's financial statements were approved by the Board on 30<sup>th</sup> August 2024 and signed on its behalf by:



**Name:** Francis Murambi Sikolia

**Chairperson of the Board**



**Name:** Ezekiel Sukume Lumbasi

**Accounting Officer**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
Email: 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 KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kakamega County Dairy Development Corporation set out on pages 1 to 44, which comprise the statement of

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*Report of the Auditor-General on Kakamega County Dairy Development Corporation for the year ended 30 June, 2024*

financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Dairy Development Corporation as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kakamega County Dairy Development Corporation Act, 2018 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracy of the Financial Statements**

##### **1.1 Failure to Number Annual Report and Financial Statements Chronologically**

Review of the annual report and financial statements for Kakamega County Dairy Development Corporation for the year ended 30 June, 2024 revealed that the numbering of Notes to the financial statements were not chronologically done.

In the circumstances, the annual report and financial statements may mislead their users.

##### **1.2 Unsupported Changes in Net Assets**

The statement of changes in net assets indicates an increase in revaluation reserve by fair value adjustment on investments amounting to Kshs.8,005,000, and an adjustment of capital grants wrongly classified as ordinary share capital of Kshs.122,200,890 which were not supported by journal entries.

In the circumstances, the accuracy and completeness of net assets balance of Kshs.129,216,757 could not be confirmed.

##### **1.3 Unreconciled Variances Between Financial Statements**

The statement of financial performance indicates use of goods and services amounting to Kshs.41,401,993 while statement of cash flows indicates an amount of Kshs.38,423,091 which results to an unexplained variance of Kshs.2,878,902.

In addition, the statement of financial performance indicates repairs and maintenance expenses of Kshs.662,087 while the statements of cash flows indicate an amount of Kshs.327,775 resulting to an unexplained variance of Kshs.334,312. Further, the statement of cash flows indicates proceeds from borrowings of Kshs.560,479 which were not supported by general ledgers and bank statements.

In the circumstances, the accuracy and completeness of the respective financial statements' balances could not be confirmed.

#### **1.4 Misstatement of Refundable Deposits from Customers**

The statement of financial position and Note 19 to the financial statements indicate refundable deposits from customers balance of Kshs.3,662,458. However, the general ledgers indicate a balance of Kshs.2,499,000, which results in an unexplained variance of Kshs.1,163,458.

In the circumstances, the accuracy and completeness of refundable deposits from customers balance of Kshs.3,662,458 could not be confirmed.

#### **1.5 Inaccuracy of Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.106,320,282 and as disclosed in Note 2 to the financial statements. The disclosure indicates Nil balance for land and the management discussion and analysis report indicates that the Corporation had developed twelve (12) smart dairy farms across the county for commercial rearing of dairy animals. However, the supporting documents for the ownership and valuation of the twelve (12) farm lands were not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.106,320,282 could not be confirmed.

### **2. Unconfirmed Biological Assets Balance**

The statement of financial position reflects biological assets amounting to Kshs.28,525,000 in respect of livestock and as disclosed in Note 16 to the financial statements. However, valuation report of the biological assets as at 30 June, 2024 was not provided for audit review.

In the circumstances, the accuracy and completeness of biological assets balance of Kshs.28,525,000 could be confirmed.

### **3. Unconfirmed Transfers from County Government**

Note 6 to the financial statements reflects transfers from County Government amounting to Kshs.72,223,194 in respect to operational grants of Kshs.19,000,000 and unconditional development grants of Kshs.53,223,194 received by the Corporation during the year being under review. However, the financial statements of the County executive for the year ended June, 2024 reflects transfers to the Corporation amounting to Kshs.66,223,194, resulting to unexplained variance of Kshs.6,000,000.

In the circumstances, the accuracy and completeness of the transfers from the County Government amounting to Kshs.72,223,194 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Dairy Development Corporation Management in accordance with ISSAI 130 on the Code of Ethics. I have

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*Report of the Auditor-General on Kakamega County Dairy Development Corporation for the year ended 30 June, 2024*

fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totaling to Kshs.113,292,775 and Kshs.77,530,134 respectively, resulting to an under-funding of Kshs.35,762,641 or 32 % of the budget. Further, the capital expenditure budget of Kshs.55,967,575 was not utilized.

In the circumstances, the under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, the issues had not been resolved and Management did not provide satisfactory reasons for the delay in resolving the issues.

## **Other Information**

The Directors are responsible for the other information set out on page iv to xlv which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Report, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Corporation's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Delayed Completion of Smart Dairy Farms**

The County Government of Kakamega, through Kakamega County Dairy Development Corporation signed contracts on 18 February, 2022 for the construction of five (5) smart dairy farms at a contract sum of Kshs.71,099,170 and the works expected to be completed within eight (8) months commencing immediately upon signing of the agreement. However, physical verification conducted in November 2024, after a period of thirty-three (33) months after signing the contract revealed that the five (5) farms were incomplete although the respective contract period had lapsed. As at the time of verification, payments totaling to Kshs.33,335,019 had been made to the contractor.

In the circumstances, the objectives of the project have not been realized.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **Lack of Risk Management Policy**

During the year under review, the Corporation had not put in place a risk management policy and formal risk assessment was not performed during the year under review contrary to Section 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the Corporation's internal controls could not be confirmed.

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

### **Responsibilities of the Management and those Charged with Governance**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Corporation's financial reporting process, reviewing the effectiveness of how Management 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 financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**31 December, 2024**

**14. Statement of Financial Performance for the year ended 30 June 2024**

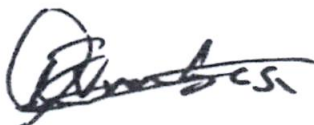
	Note	FY 2023-2024	FY 2022-2023
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government entities	6	19,000,000	6,600,000
Public contributions and donations	7	970,200	-
<b>Revenue from exchange transactions</b>			
Sale of goods	8	4,336,741	5,633,890
<b>Total revenue</b>		<b>24,306,941</b>	<b>12,233,890</b>
<b>Expenses</b>			
Use of goods and services	9	41,401,993	34,962,578
Employee costs	10	11,128,590	10,710,518
Board Expenses	11	2,448,150	2,561,400
Depreciation and amortization expense	12	6,367,349	6,770,211
Repairs and maintenance	13	662,087	1,262,430
<b>Total expenses</b>		<b>62,008,166</b>	<b>56,267,137</b>
<b>Other gains/(losses)</b>			
<b>Surplus/ (deficit) before tax</b>		<b>(37,701,225)</b>	<b>(44,033,247)</b>
<b>Surplus/(deficit) for the period/year</b>		<b>(37,701,225)</b>	<b>(44,033,247)</b>
<b>Net Surplus for the year</b>		<b>(37,701,225)</b>	<b>(44,033,247)</b>

The notes set out on pages 24 to 35 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



**Name:** Francis Sikolia  
**Chairman of the Board**

**Date** 27/12/2024



**Name:** Ezekiel lumbasi  
**Accounting Officer**

**Date** 27/12/2024



**Name:** Ashyline Ambesa  
**Head of Finance**

**ICPAK M/No:** 31629

**Date** 27/12/2024

**KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION**

County Government of Kakamega

Annual Report and Financial Statements for the year ended June 30, 2024.


**15 Statement of Financial Position as at 30 June 2024**

	Note	FY 2023-2024	FY 2022-2023
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	14	20,648,654	2,897,417
Receivables from Exchange Transactions		-	2,114,750
Inventories	15	8,399,072	8,370,072
<b>Total Current Assets</b>		<b>29,047,725</b>	<b>13,382,239</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	106,320,282	107,489,005
Biological Assets	16	28,525,000	20,520,000
<b>Total Non- Current Assets</b>		<b>134,845,282</b>	<b>128,009,005</b>
<b>Total Assets (A)</b>		<b>163,893,008</b>	<b>141,391,244</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	18	31,013,793	32,599,477
Refundable Deposits from Customers	19	3,662,458	3,101,979
<b>Total Current Liabilities</b>		<b>34,676,251</b>	<b>35,701,456</b>
<b>Non-Current Liabilities</b>		0	0
<b>Total Non- Current Liabilities</b>		<b>0</b>	<b>0</b>
<b>Total Liabilities (B)</b>		<b>34,676,251</b>	<b>35,701,456</b>
<b>Net Assets (A-B)</b>		<b>129,216,757</b>	<b>105,689,788</b>
<b>Represented By:</b>			
Ordinary share capital		0	0
Revaluation of Biological Assets		28,525,000	0
Reserve		0	20,520,000
Fair value adjustment reserve		0	0
Accumulated Surplus		(74,732,327)	(37,031,102)
Capital fund		175,424,084	122,200,890
<b>Net Assets</b>		<b>129,216,757</b>	<b>105,689,788</b>

The financial statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



**Name:** Francis Sikolia  
**Chairman of the Board**



**Name:** Ezekiel Lumbasi  
**Accounting Officer**



**Name:** Ashyline Ambesa  
**Head of Finance**

**Date** 27/12/2024

**Date** 27/12/2024

**ICPAK M/No:** 31629  
**Date** 27/12/2024

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**16. Statement of Changes in Net Assets for the year ended 30 June 2024**

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Accumulated Surplus	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>As at July 1, 2022</b>	<b>64,046,735</b>	<b>0</b>	<b>0</b>	<b>7,002,145</b>	<b>0</b>	<b>0</b>	<b>71,048,880</b>
Issued new capital	0	20,520,000	0	0	0	0	20,520,000
Surplus/ deficit for the year	0	0	0	(44,033,247)	0	0	(44,033,247)
Capital/development grants received during the year	58,154,155	0	0	0	0	0	58,154,155
<b>As at June 30, 2023</b>	<b>122,200,890</b>	<b>20,520,000</b>	<b>0</b>	<b>(37,031,102)</b>	<b>0</b>	<b>0</b>	<b>105,689,788</b>
<b>As at July 1, 2023</b>	<b>122,200,890</b>	<b>20,520,000</b>	<b>0</b>	<b>(37,031,102)</b>	<b>0</b>	<b>0</b>	<b>105,689,788</b>
Issue of new share capital	0	0	0	0	0	0	0
Adjustment of capital grants wrongly classified as ordinary share capital	(122,200,890)	0	0	0	0	122,200,890	0
Fair value adjustment on investments	0	8,005,000	0	0	0	0	8,005,000
Surplus/ (deficit) for the year	0	0	0	(37,701,225)	0	0	(37,701,225)
Capital/development grants received during the year	0	0	0	0	0	53,223,194	53,223,194
<b>As at June 30, (Current FY)</b>	<b>0</b>	<b>28,525,000</b>	<b>0</b>	<b>(74,732,327)</b>	<b>0</b>	<b>175,424,084</b>	<b>129,216,757</b>

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**17. Statement of Cash Flows for the year ended 30 June 2024**

	Note	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government entities	6	19,000,000	6,600,000
Levies, Fines, and penalties		0	0
Public contributions and donations	7	970,200	0
Licenses and permits		0	0
Rendering of services		0	0
Sale of goods	8	4,336,741	5,633,890
Rental revenue from facilities and equipment		0	0
Finance income		0	0
Other income		0	0
<b>Total receipts</b>		<b>24,306,941</b>	<b>12,233,890.00</b>
<b>Payments</b>			
Use of goods and services	9	38,423,091	34,962,578
Employee costs	10	11,128,590	10,710,518
Board Expenses	11	2,448,150	2,561,400
Repairs and maintenance	13	327,775	1,262,430
<b>Total payments</b>		<b>52,327,605</b>	<b>49,496,926</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>(28,026,281)</b>	<b>(37,263,036.00)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE	17	(8,011,771)	(24,536,033)
Purchase of Intangible assets		0	0
<b>Net cash flows from/(used in) investing activities</b>		<b>(8,011,771)</b>	<b>(31,089,572)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		560,479	0
Grants from County Treasury		53,223,194	58,154,155
<b>Net cash flows from financing Activities</b>		<b>53,783,673</b>	<b>58,154,155</b>
<b>Net increase/(decrease) - cash &amp; Cash equivalents</b>		<b>17,751,237</b>	<b>(5,020,806)</b>
<b>Cash &amp; cash equivalents at the year Start</b>	14	<b>2,897,417</b>	<b>7,918,223</b>
<b>Cash and cash equivalents at the year End</b>	14	<b>20,648,654</b>	<b>2,897,417</b>

**NOTES**

1. The cash flow has been prepared using a direct method where cash inflows and cash outflows are presented separately, rather than adjusting net income for non-cash items hence some figures may differ.

2. Cash and cash equivalent consist of cash balances at the bank for three bank accounts i.e. operations, revenue and retention accounts as at 30<sup>th</sup> June 2024.

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from the County Government entities	103,292,775	-	103,292,775	72,223,193.00	31,069,582.00	69.92
Transfers in Kind	-	-	-	-	-	-
Levies, Fines, and penalties	-	-	-	-	-	-
Public contributions and donations	-	-	-	970,200	(970,200)	-
Licenses and permits	-	-	-	-	-	-
Rendering of services	-	-	-	-	-	-
Sale of goods	10,000,000	-	10,000,000	4,336,741	5,663,259	43.37
Rental revenue from facilities and equipment	-	-	-	-	-	-
Finance income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
<b>Total Income</b>	<b>113,292,775</b>	<b>-</b>	<b>113,292,775</b>	<b>77,530,134.00</b>	<b>35,762,641.00</b>	<b>68.43</b>
<b>Expenses</b>						
Use of goods and services	41,850,288.00	-	41,850,288.00	41,407,608.75	442,679.25	98.94
Employee costs	11,238,912	-	11,238,912	11,128,590	110,322	99.02
Board Expenses	4,236,000	-	4,236,000	2,448,150	1,787,850	57.79
Repairs and maintenance	-	-	-	662,087	(662,087)	-
Contracted services	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>57,325,200</b>	<b>-</b>	<b>57,325,200</b>	<b>55,646,436</b>	<b>1,678,765</b>	<b>97.07</b>
<b>Surplus/Deficit for the period</b>	<b>55,967,575</b>	<b>-</b>	<b>55,967,575</b>	<b>1,983,699</b>	<b>53,983,876</b>	<b>3.54</b>
<b>Capital Expenditure</b>	<b>55,967,575</b>	<b>-</b>	<b>55,967,575</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Budget notes*

Management reclassified budgeted expenditure worth Ksh.17,325,200 which were of recurrent nature but classified under capital expenditure back to recurrent nature

## **19. Notes to the Financial Statements**

### **1. General Information**

The Kakamega County Dairy Development Corporation is established by and derives its authority from KDDC 2018 Act. The Entity is wholly owned by the County Government of Kakamega and is domiciled in the department of Agriculture. The Corporation's principal activity is to promote and manage dairy sector development in Kakamega county including commercial rearing and breeding of dairy cattle; creating a ready market for milk for dairy farmers; develop and maintain milk processing plant in the county; conduct research; assist in maintenance of dairy facilities; and assist dairy farmers to source for affordable dairy farm inputs and machinery.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation. The financial statements have been prepared in accordance with the PFM Act, KDDC 2018 Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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## 3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"><li>Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li><li>Clarifying transaction costs guidance to enhance consistency across IPSAS.</li></ol>

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Standard	Effective date and impact:
	iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**iii. Early adoption of standards**

The Corporation did not early – adopt any new or amended standards in the financial year

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Corporation and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance upon fulfilling the conditions set.

**Levies, Fines, and penalties**

The Corporation recognizes revenues from Levies, Fines, and penalties when the event occurs and the asset recognition criteria are met.

**ii) Revenue from exchange transactions**

**Rendering of services**

The Corporation recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Corporation.

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Corporation's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for the FY 2023-2024 was approved by the County Assembly on 14<sup>th</sup> July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Corporation recorded additional appropriations of revenue on the 2024 budget following the governing body's approval. The Corporation's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the

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reporting date in the area where the corporation operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally

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enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable corporation and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a one-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the corporation. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The corporation also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the corporation will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

The Corporation expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the corporation can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The corporation does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit,

transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**i. Financial assets**

**Classification of financial assets**

The Corporation classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The Corporation assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets. The Corporation recognizes a loss allowance for such losses at each reporting date.

**ii. Financial liabilities**

**Classification**

The Corporation classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Corporation.

#### **k) Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **l) Contingent liabilities**

The corporation does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

#### **m) Contingent assets**

The Corporation does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain

future events not wholly within the control of the Corporation in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**n) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**o) Changes in accounting policies and estimates**

The Corporation recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**p) Employee benefits**

**Retirement benefit plans**

The Corporation provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**q) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on

that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**r) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**s) Related parties**

The Corporation regards a related party as a person or corporation with the ability to exert control individually or jointly, or to exercise significant influence over the corporation, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**t) Service concession arrangements**

The Corporation analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Corporation recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Corporation also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) 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

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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.

#### **v) Comparative figures**

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

#### **w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

### **5. Significant Judgments and Sources of Estimation Uncertainty**

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

#### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the corporation. Such changes are reflected in the assumptions when they occur.  
IPSAS 1.140

#### **Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the Corporation.

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- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material e.g. provision for bad debts and provisions of obsolete stocks.

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**6. Transfers from County Government entities**

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
<b>Unconditional Grants</b>		
Operational Grant	19,000,000	6,600,000
Unconditional development grants	53,223,194	-
Other Grants	-	-
<b>Total Unconditional Grants</b>	<b>72,223,194</b>	<b>6,600,000</b>
<b>Conditional Grants amortized/ transferred to revenue</b>		
Housing Development Grant	-	-
Infrastructure Grant	-	-
Library Grant	-	-
Facilities Development Grant	-	-
Other Organizational Grants (specify)	-	-
<b>Total</b>	<b>72,223,194</b>	<b>6,600,000</b>

*The above source of funding includes funds transferred to KDDC as Capital grants to fund completion of development projects as wells as day-to-day recurrent operations activities. The total transfer of Kshs 72,223,194 consists of Kshs 6,000,000 which was transfer from the CGK meant for previous financial year reported in the current financial year.*

**a) Transfers from County Departments**

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance.	Amount deferred under deferred income.	Amount recognised in capital fund.	2023-2024	2022-2023
	KShs	KShs	KShs	KShs	KShs
County Treasury Department	19,000,000	-	53,223,194	72,223,194	6,600,000
<b>Total</b>	<b>19,000,000</b>	<b>-</b>	<b>53,223,194</b>	<b>72,223,194</b>	<b>6,600,000</b>

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**7. Public Contributions and Donations**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Health Donations	-	-
Research Donations	-	-
Donations transferred to revenue on conditions being met.	-	-
Other Public Donations (Food And Organization)	970,200.00	-
<b>Total Transfers and Sponsorships</b>	<b>970,200.00</b>	<b>-</b>
<b>Reconciliation of Public Contributions and Donations</b>		
Balance unspent at beginning of the year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions to be met - remain liabilities	-	-

(The Above source of funding include funds transferred to KDDC to cater for 360 round training of youths at Bukura SDF)

**8. Sale of Goods**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Sale of Milk	4,186,741	5,438,890.00
Sale of Bull Calves	45,000	90,000.00
Sale of Manure	105,000	105,000.00
Other (Specify)	-	-
<b>Total revenue from the sale of goods</b>	<b>4,336,741</b>	<b>5,633,890.00</b>

Approximately 69,779 litres of milk was sold at a standard price of 60 Ksh per litre, 9 bull calves were also sold at a standard price of sh. 5,000 and 105 tons of manure at sh. 1,000 per ton.

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**9. Use of Goods and Services**

Description	2023-2024	2022-2023
	Kshs	Kshs
Electricity	303,705	589,931
Water	169,917	0
Subscriptions	12,600	85,200
Conferences and delegations	475,400	997,253
Consumables	22,258,527	16,088,792
Fuel and oil	1,772,520	1,759,940
Insurance	306,499	0
Telecommunication	417,258	242,759
Training costs	630,000	0
Travel, accommodation subsistence and other Allowances	13,121,064	9,896,287
Bank charges	218,809	392,917
Publishing and printing	47,300	188,612
Trade show and Exhibition	360,000	0
HERBICIDES	10,800	0
Supplies and accessories for computers, printers	80,716	0
STATIONERY	659,563	0
MEMBERSHIP AND SUBSCRIPTION	107,000	0
General office supplies	200,000	1,693,453
Dairy farm demonstration	150,000	0
Operation of AI services	53,215	51,200
One Cow Initiative	0	2,729,304
Vaccination and treatment	47,100	246,930
<b>Total</b>	<b>41,401,993</b>	<b>34,962,578</b>

*The Kshs 41,401,993 is recognized to Statement of Financial performance. The Kshs 2,978,902.00 represents money paid out to clear pending bills carried forward from the previous financial year, hence not recognized in the cashflows statement since it is reported on a direct method. Therefore, the amount recognized in the cashflow statement is Kshs 38,423,091*

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**10. Employee Costs**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Salaries for permanent employees	7,570,290	-
Wages to temporary employees	3,558,300	10,710,518
Employer contribution to health insurance schemes	-	-
Employer contribution to pension schemes	-	-
Housing benefits and allowances	-	-
Overtime payments	-	-
Performance and other bonuses	-	-
Social contributions	-	-
Gratuity	-	-
Other employee related costs *	-	-
<b>Total employee costs</b>	<b>11,128,590</b>	<b>10,710,518</b>

**11. Board Expenses**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Chairman/Directors' Honoraria	210,000.00	-
Sitting Allowances	2,238,150.00	2,561,400
Medical Insurance	-	-
Induction and training	-	-
Travel and accommodation	-	-
Other Allowances	-	-
<b>Total</b>	<b>2,448,150</b>	<b>2,561,400</b>

**12. Depreciation and Amortization Expenses**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Property, plant and equipment	6,367,346	6,770,211
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>6,367,346</b>	<b>6,770,211</b>

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**13. Repairs and Maintenance**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Property and equipment	-	-
Investment Property	-	-
Equipment and Machinery	-	-
Vehicles	662,087	-
Furniture and Fittings	-	1,262,430
Computers and Accessories	-	-
Others (specify)	-	-
<b>Total Repairs and Maintenance</b>	<b>662,087</b>	<b>1,262,430</b>

*The Kshs 662,087 is recognized to Statement of Financial performance. The Kshs 334,312 represents accrued bill during the year, hence not recognized in the cashflows statement since it is reported on a direct method. Therefore, the amount recognized in the cashflow statement is Kshs 327,775*

**14. Cash and Cash Equivalents**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Current Account	748,654	2,897,417
On - Call Deposits	-	-
Fixed Deposits Account	-	-
Others (Late disbursement from CGK)	19,900,000	-
<b>Total Cash and cash equivalents</b>	<b>20,648,654</b>	<b>2,897,417</b>

**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>a) Operations Account</b>			
1.) Kenya Commercial Bank	1174166983	19,952,731	158,302
<b>Sub- Total</b>		<b>19,952,731</b>	<b>158,302</b>
<b>b) Revenue Account</b>			
2.) Kenya Commercial Bank	1211938727	34,113	137,136
<b>Sub- Total</b>		<b>34,113</b>	<b>137,136</b>

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Financial Institution	Account number	FY 2023-2024	FY 2022-2023
		Kshs	Kshs
<b>c) Retention Account</b>			
3.) Kenya Commercial Bank	1291252371	661,809	2,601,979
<b>a) Sub- Total</b>		<b>661,809</b>	<b>2,601,979</b>
<b>Grand total</b>		<b>20,648,654</b>	<b>2,897,417</b>

**15. Inventories**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Consumable stores	8,399,072	8,370,072
<b>Total inventories at the lower of cost and net realizable value</b>	<b>8,399,072</b>	<b>8,370,072</b>

**1. BIOLOGICAL ASSET**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Revaluation of biological assets	28,525,000	20,520,000
<b>Total</b>	<b>28,525,000</b>	<b>20,520,000</b>

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**2. Property, Plant and Equipment**

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (Farm Machinery)	Capital Work in progress	Total
<b>Depreciation Rate</b>		<b>2%</b>	<b>25%</b>	<b>12.50%</b>	<b>33.30%</b>	<b>12.50%</b>		
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 1<sup>st</sup> July 2022</b>	<b>0</b>	<b>100,325,485</b>	<b>9,265,114</b>	<b>2,607,009</b>	<b>3,868,987</b>	<b>2,610,692</b>	<b>0</b>	<b>118,677,287</b>
Additions	0		0	0	0	0	0	0
Disposals	(0)	(0)	(0)	0	0	(0)	(0)	0
Transfers/Adjustments	0	0	(0)	0	(0)	(0)	0	0
<b>As at 30<sup>th</sup> June 2023</b>	<b>0</b>	<b>100,325,485</b>	<b>9,265,114</b>	<b>2,607,009</b>	<b>3,868,987</b>	<b>2,610,692</b>	<b>0</b>	<b>118,677,287</b>
<b>As At 1<sup>st</sup> July (Current FY)</b>								
Additions	0	5,198,623	0	0	0	0	0	<b>5,198,623</b>
Disposals	(0)	(0)	0	0	0	(0)	(0)	0
Adjustments (Excess depreciation during the FY 2022-2023)	(0)							
<b>As at 30<sup>th</sup> June (Current FY)</b>	<b>0</b>	<b>105,524,108</b>	<b>9,265,114</b>	<b>2,607,009</b>	<b>3,868,987</b>	<b>2,610,692</b>	<b>0</b>	<b>123,875,910</b>
<b>Depreciation And Impairment</b>								
<b>At 1 July 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation	0	4,596,067	3,346,357	651,752	1,896,994	697,113	(0)	<b>11,188,282</b>
Impairment	0	(0)	0	0	0	(0)	0	0
Transfers/ Adjustments	0	(0)	0	0	(0)	(0)	0	0
<b>As At 30<sup>th</sup> 2023</b>	<b>0</b>	<b>4,596,067</b>	<b>3,346,357</b>	<b>651,752</b>	<b>1,896,994</b>	<b>697,113</b>	<b>0</b>	<b>11,188,282</b>

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<b>At 1<sup>st</sup> July 2023</b>		4,596,067	3,346,357	651,752	1,896,994	697,113		<b>11,188,282</b>
Depreciation charge for the year	0	2,110,482	2,316,279	325,876	1,288,373	326,337	0	<b>6,367,346</b>
Disposals	0	0	0	0	0	0	0	<b>0</b>
Impairment	0	(0)	(0)	0	0	(0)	0	<b>0</b>
Transfer/Adjustment	0	0	(0)	(0)	0	(0)	(0)	<b>0</b>
<b>As at 30<sup>th</sup> June (Current FY)</b>	<b>0</b>	<b>6,706,549</b>	<b>5,662,635</b>	<b>977,628</b>	<b>3,185,366</b>	<b>1,023,450</b>	<b>0</b>	<b>17,555,628</b>
<b>Net Book Values</b>								
<b>As at 30<sup>th</sup> June (Previous FY)</b>	<b>0</b>	<b>95,729,418</b>	<b>5,918,757</b>	<b>1,955,257</b>	<b>1,971,994</b>	<b>1,913,579</b>	<b>0</b>	<b>107,489,005</b>
<b>As at 30<sup>th</sup> June (Current FY)</b>	<b>0</b>	<b>98,817,559</b>	<b>3,602,479</b>	<b>1,629,381</b>	<b>683,621</b>	<b>1,587,243</b>	<b>0</b>	<b>106,320,282</b>

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**35 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	105,524,108	6,706,549	98,817,559
Plant and machinery	2,610,692	1,023,450	1,587,243
Motor vehicles, including motorcycles	9,265,114	5,662,635	3,602,497
Computers and related equipment	3,868,978	3,185,366	683,621
Office equipment, furniture, and fittings	2,607,009	997,628	1,629,381
<b>Total</b>	<b>123,875,910</b>	<b>17,555,628</b>	<b>106,320,282</b>

Property plant and equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and machinery	0	0
Motor vehicles including motorcycles	0	0
Computers and related equipment	0	0
Office equipment, furniture and fittings	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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**3. Trade and Other Payables**

Description	Insert Current FY	Insert
	Kshs	Comparative FY
		Kshs
Trade payables	31,013,792	32,599,477
Employee payables	-	-
Third-party payments	-	-
Other payables	-	-
<b>Total trade and other payables</b>	<b>31,013,792</b>	<b>32,599,477</b>

**4. Refundable Deposits from Customers**

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Borrowing from retention account	3,662,458	3,101,979
Prepayments	0	0
Other deposits	0	0
<b>Total deposits</b>	<b>3,662,458</b>	<b>3,101,979</b>

**5. Financial Risk Management**

The Corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Corporation's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables,

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estimated by the Corporation's management based on prior experience and their assessment of the current economic environment.

#### **Financial Risk Management**

The carrying amount of financial assets recorded in the financial statements representing the Corporation's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up

#### **Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from . The Board of Directors sets the Corporation's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### **ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Corporation's Directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

#### **Financial Risk Management**

#### **iii) Market risk**

The Corporation has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the corporation's income or the value of its holding of financial instruments. The objective of

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market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The corporation's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the corporation's exposure to market risks or the way it manages and measures the risk.

#### **a) Foreign currency risk**

The Corporation has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The corporation manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

#### **Financial Risk Management**

The carrying amount of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The following table demonstrates the effect on the corporation's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also

#### **b) Interest rate risk**

Interest rate risk is the risk that the corporation's financial condition may be adversely affected as a result of changes in interest rate levels. The corporation's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

#### **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

#### **Sensitivity analysis**

The corporation analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on surplus or deficit of defined rate

## KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

County Government of Kakamega

### Annual Report and Financial Statements for the year ended June 30, 2024.

shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (Current FY: Kshs xxx). A rate increase/decrease of five percent would result in a decrease/increase in surplus before tax of Kshs xxx (Current FY – Kshs xxx)

#### **Fair value of financial assets and liabilities**

##### **a) Financial instruments measured at fair value.**

##### **Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Corporation's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The corporation considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) Capital Risk Management**

The objective of the Entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

**6. Related Party Disclosures**

**a) Nature of related party relationships**

Entities and other parties related to Kakamega County Dairy Development Corporation include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**b) County Government of Kakamega**

The county Government of Kakamega is the principal shareholder of the Kakamega County Dairy Development Corporation, holding 100% of the Corporation's equity interest. The County Government has provided full guarantees to all long-term lenders of the entity.

**c) Other related parties include:**

- i) The Parent Department.
- ii) County Governments.
- iii) Other County Corporations.
- iv) Key management.
- v) Board of Directors.

**7. Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**8. Ultimate And Holding Entity**

The Corporation is a County Corporation under the Department of Agriculture. Its ultimate parent is the County Government of Kakamega.

**9. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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**20. Appendices**

**Appendix 1: Implementation Status of Auditor General’s Recommendations**

The following is the summary of issues raised by the external auditor and management comments that were provided to the auditor.

S/ No	Issue / Observations from Auditor	Management comments	Status	Timeframe																																																
1.	<p><b>Inaccuracy of Property, Plant and Equipment</b> The statement of financial position reflects a balance of kshs.107, 489,005 in respect of property, plant and equipment as disclosed in Note 16 to the financial statements. The Note reflects balance of Kshs. Nil in respect of land. However, the annual report under management discussion and analysis, and Environmental and Sustainability Reporting sections indicates that the Corporation has developed twelve (12) smart dairy farms across the County for commercial rearing of dairy animals and Note 17 list four (4) of the farms. No explanation was provided on why the 12 farms and related values have been excluded from these financial statements.</p> <p>In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Ksh 107,489,005 could not be confirmed.</p>	<p>The County Executive acquired the land in question and allocated to KDDC to develop the Smart Farms. The value of the land was disclosed in the books of the County Executive The KDDC Act 2018 gave the corporation the mandate to develop 12 smart dairy farms one in each of the 12 sub-counties of Kakamega County. However, the corporation has developed and operationalized 4 smart farms and is currently establishing 6 more smart dairy farms that are in different stages of completion while 2 are yet to commence due to budget Constraints as tabulated below.</p> <p><b>TABLE 1: COMPLETED AND OPERATIONAL SMART FARMS.</b></p> <table border="1"> <thead> <tr> <th>s/no</th> <th>Smart farm</th> <th>Sub-county</th> <th>Ward</th> <th>Location</th> <th>Completion rate</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Bukura</td> <td>Lurambi</td> <td>Butsotso south</td> <td>Bukura</td> <td>100%</td> </tr> <tr> <td>2.</td> <td>Kabras</td> <td>Lugari</td> <td>Chevaywa</td> <td>Namarambi</td> <td>100%</td> </tr> <tr> <td>3.</td> <td>Matungu</td> <td>Matungu</td> <td>Mayoni</td> <td>Kholera</td> <td>100%</td> </tr> <tr> <td>4.</td> <td>Khwisero</td> <td>Khwisero</td> <td>Kisa central</td> <td>Mundeku</td> <td>100%</td> </tr> </tbody> </table> <p><b>TABLE 2: ONGOING SMART FARMS.</b></p> <table border="1"> <thead> <tr> <th>S/no.</th> <th>Smart farm</th> <th>Sub-county</th> <th>Ward</th> <th>Location</th> <th>Copletion rate</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Malava</td> <td>Malava</td> <td>Chemuche</td> <td>Tumbeni</td> <td>100%</td> </tr> <tr> <td>2.</td> <td>Shitoli</td> <td>Ikolomani</td> <td>Idakho East</td> <td>Shitoli</td> <td>98%</td> </tr> </tbody> </table>	s/no	Smart farm	Sub-county	Ward	Location	Completion rate	1.	Bukura	Lurambi	Butsotso south	Bukura	100%	2.	Kabras	Lugari	Chevaywa	Namarambi	100%	3.	Matungu	Matungu	Mayoni	Kholera	100%	4.	Khwisero	Khwisero	Kisa central	Mundeku	100%	S/no.	Smart farm	Sub-county	Ward	Location	Copletion rate	1.	Malava	Malava	Chemuche	Tumbeni	100%	2.	Shitoli	Ikolomani	Idakho East	Shitoli	98%	Not Resolved	6-12 Months
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S/ No	Issue / Observations from Auditor	Management comments	Status	Timeframe																																				
		<table border="1"> <tr> <td>3.</td> <td>Shibinga</td> <td>Mumias East</td> <td>Lubinu Lusheya</td> <td>Shibinga</td> <td>80%</td> </tr> <tr> <td>4.</td> <td>Butere</td> <td>Butere</td> <td>Township</td> <td>Eshirembe</td> <td>75%</td> </tr> <tr> <td>5.</td> <td>Navakholo</td> <td>Navakholo</td> <td>Bunyala West</td> <td>Wading' o</td> <td>70%</td> </tr> <tr> <td>6.</td> <td>Likuyani</td> <td>Likuyani</td> <td>Sango</td> <td>Sango</td> <td>98%</td> </tr> <tr> <td>7.</td> <td>Mumias west</td> <td>Mumias West</td> <td>Matawa</td> <td>Matawa</td> <td>0%</td> </tr> <tr> <td>8.</td> <td>Malimili</td> <td>Shinyalu</td> <td>Malimili</td> <td>Malimili</td> <td>0%</td> </tr> </table>	3.	Shibinga	Mumias East	Lubinu Lusheya	Shibinga	80%	4.	Butere	Butere	Township	Eshirembe	75%	5.	Navakholo	Navakholo	Bunyala West	Wading' o	70%	6.	Likuyani	Likuyani	Sango	Sango	98%	7.	Mumias west	Mumias West	Matawa	Matawa	0%	8.	Malimili	Shinyalu	Malimili	Malimili	0%		
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7.	Mumias west	Mumias West	Matawa	Matawa	0%																																			
8.	Malimili	Shinyalu	Malimili	Malimili	0%																																			
2	<p><b>Inaccuracy of Transfers from County Executive</b>                      The statement of financial performance and statement of changes in net assets reflects amounts of Ksh.6,600,000 and ksh.58,154,155 being recurrent receipts and development grants received during the year from the County Government of Kakamega respectively, totaling Ksh.64,745,155. However, the financial statements of Kakamega Executive for the year ended 30 June 2023 reflect transfers to the Corporation of Ksh.70, 754,155. The variance of Ksh.6, 000,000 has not been explained or reconciled.</p> <p>In the circumstances, the accuracy and completeness of the transfers from the county Treasury of Ksh.64, 754,155 could not be confirmed.</p>	<p>KDDC uses IPSAS accrual basis of accounting which sets out the manner in which general-purpose financial statements shall be prepared under the accrual basis of accounting and it recognizes revenue and matching expenses when they are generated not when money actually changes hands. This means The Corporation records revenue when received while on the other hand the County Executive uses IPSAS cash basis of accounting which states that income is not counted until cash is actually received, and expenses are not counted until actually paid. Under the cash basis, revenues and expenses are recognized when payment is made or received.</p> <p>The Kshs. 6,000,000 was transferred to KDDC on 11/07/2023 after the financial year had ended. KDDC did not report in its financial statements for FY 2022/2023 since the funds were received in Financial year 2023/2024.Kshs 6,000,000 was reported in the financial statements for quarter 1 for FY 2023/2024.</p> <p>The reconciliation of Kshs.6, 000,000 between figures in the financial statements of the County Executive and the financial statement of KDDC is as shown below:</p>	<b>Not Resolved</b>	6-12 Months																																				

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S/ No	Issue / Observations from Auditor	Management comments					Status	Timeframe
		Date	Voucher no.	Source	Executive FS	KDDC FS		
		09/11/2022	R2888	CBK	6,600,000	6,600,000	-	
		05/12/2022	D046	CBK	25,792,769	25,792,769	-	
		30/03/2023	D144	CBK	4,365,386	4,365,386	-	
		19/05/2023	D161	CBK	27,000,000	27,000,000	-	
		17/04/2023	R7288	CBK	499,000	499,000	-	
		19/04/2023	R7336	CBK	497,000	497,000	-	
		11/07/2023	R12298	CBK	6,000,000		6,000,000	
		<b>TOTAL</b>			<b>70,754,155</b>	<b>64,754,155</b>	<b>6,000,000</b>	
3	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.125,984,840 and Kshs.70,388,045 respectively, resulting to under-funding of Kshs.55,596,795 or 44% of the budget. Similarly, the statement reflects actual expenditure of Kshs.80, 803,170 against approved budget of Kshs.125, 984,840 resulting to under-performance of Kshs.45, 181,670or 36% of the budget. Further, the under-performance balance of Ksh 45,181,670 is at variance with that of Ksh.44, 265,593 reflected in the statement. The difference of Ksh.916, 077 has not been explained or reconciled.</p> <p>The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p><b><u>Explanation of the underfunding of Ksh. 55,596,795</u></b></p> <p>The under-funding of Kshs.55,596,795 was occasioned by the County treasury not releasing Ksh.53,665,285 due to delays in exchequer releases from the National treasury and a shortfall in collection of Ksh 1,931,510 from its own source revenue (sale of; milk, bull calves and Manure). Which was attributed to inconsistency in supply and delivery of supplies of production thereby affecting production significantly.</p> <p><b><u>Explanation of the underperformance of Ksh. 45,181,670</u></b></p> <p>The underperformance was mainly caused by the budgetary underfunding which if it could have been received in full the cooperation could have utilized to 100%.</p> <p><b><u>Explanation of the Variance of Ksh. 919,077</u></b></p> <p>Management has acknowledged the casting error of Kshs.916, 077 on use of goods and services final budget Ksh.37, 925,850 and actual budget Ksh.34, 962,578 made while computing the variance between the budget of Kshs.125, 984,840 and actual cash of Kshs.80, 803,170. However, this error does not have an effect on the subsequent financial</p>	Not Resolved	6-12 Months				

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S/ No	Issue / Observations from Auditor	Management comments	Status	Timeframe										
		statements hence does not require prior year adjustment.												
	<p><b>Other Matter</b></p> <p><b>1. Unresolved Prior Year Matters</b></p> <p>In the report for the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, out of the issues, six (6) had not been resolved as at 30 June, 2023 and Management has not provided any explanation on why the issues have not been resolved as required by the Public Sector Accounting Standards Board reporting template.</p>	The management acknowledges the auditor's observation on the above subject matter. The management has resolved part of the issues raised and is still working to resolve the entire issues raised by the office of the Auditor General.	<b>Not Resolved</b>	6-12 Months										
	<p><b>Basis for Conclusion</b></p> <p><b>1. Delay in Completion of Smart Farms</b></p> <p>The County Government of Kakamega, through Kakamega County Dairy Development Corporation, signed contracts on 22 February 2022 for construction of three (3) Smart Dairy Farms, at contract sums totaling Kshs.33,629,475 and contract period of eight (8) months each as shown below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Project Name</th> <th style="text-align: center;">Contract Sum (Kshs)</th> <th style="text-align: center;">Amount Paid (Kshs)</th> <th style="text-align: center;">Completion Percentage</th> <th style="text-align: center;">Balance (Kshs)</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Project Name	Contract Sum (Kshs)	Amount Paid (Kshs)	Completion Percentage	Balance (Kshs)						<p><b><u>Shibinga Smart Farm</u></b></p> <p><b><u>Brief description of the project</u></b>                      Located in Mumias East Sub County, Lubinu lusheya ward. The Farm was developed with an aim of acting as a learning center for dairy farmers in the Sub County.</p> <p><b><u>Reasons why it delayed to be completed</u></b>                      The Project commenced in February 2022 and it was expected to take 8 months, however, the project was not completed as expected since the Corporation did not receive all the allocations for the financial year 22/23 from the County Treasury for the reasons of exchequer release from the National treasury hence affecting the operations significantly.</p> <p><b><u>Current Status</u></b></p>	<b>Not Resolved</b>	6-12 Months
Project Name	Contract Sum (Kshs)	Amount Paid (Kshs)	Completion Percentage	Balance (Kshs)										

**KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION**

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	<table border="1"> <tr> <td>Shibinga</td> <td>10,654,987</td> <td>5,724,870</td> <td>54%</td> <td>4,930,117</td> </tr> <tr> <td>Butere</td> <td>11,361,616</td> <td>6,111,855</td> <td>54%</td> <td>5,249,761</td> </tr> <tr> <td>Shitoli</td> <td>11,612,872</td> <td>7,557,758</td> <td>65%</td> <td>4,055,114</td> </tr> <tr> <td><b>Total</b></td> <td><b>33,629,475</b></td> <td><b>19,394,483</b></td> <td></td> <td><b>14,234,992</b></td> </tr> </table> <p>However, physical inspection of the projects carried out 29 November, 2023 revealed that the projects had not been completed although the respective project durations had elapsed. As at the time of inspection, a total amount of kshs.19, 394,483 had been paid to the contractors. No justifiable explanation was provided for the inordinate delay in completing the projects. In the circumstances, the value for money was not obtained for the projects.</p>	Shibinga	10,654,987	5,724,870	54%	4,930,117	Butere	11,361,616	6,111,855	54%	5,249,761	Shitoli	11,612,872	7,557,758	65%	4,055,114	<b>Total</b>	<b>33,629,475</b>	<b>19,394,483</b>		<b>14,234,992</b>	<p>Currently, the project is at 80% completion. This was after the contractor was paid and resumed site but further delay has been occasioned by non-disbursement from the exchequer.</p> <p><b><u>Butere Smart Farm</u></b>  <b>Brief description of the project</b>                      Located in Butere Sub County, Township ward. The Farm was developed with an aim of acting as a learning center for dairy farmers in the Sub County.</p> <p><b><u>Reasons why it delayed to be completed</u></b>                      The Project commenced in February 2022 and it was expected to take 8 months, however, the project was not completed as expected since the Corporation did not receive all the allocations for the financial year 22/23 from the County Treasury for the reasons of exchequer release from the National treasury hence affecting the operations significantly.</p> <p><b><u>Current Status</u></b>                      Currently, the project is at 75% completion. The delay has been occasioned by Non-disbursement from the County Treasury.</p> <p><b><u>Shitoli Smart Farm</u></b>  <b>Brief description of the project</b>                      Located in Ikolomani Sub County, Idakho ward. The Farm was developed with an aim of acting as a learning center for dairy farmers in the Sub County.</p> <p><b><u>Reasons why it delayed to be completed</u></b>                      The Project commenced in February 2022 and it was expected to take 8 months, however, the project was not completed as expected since the Corporation did not receive all the allocations for the financial year 22/23 from the County Treasury for the reasons of exchequer release from the National treasury hence affecting the operations significantly.</p> <p><b><u>Current Status</u></b></p>		
Shibinga	10,654,987	5,724,870	54%	4,930,117																				
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S/ No	Issue / Observations from Auditor	Management comments	Status	Timeframe
		Currently, the project is at 90% completion. This was after the contractor was paid and resumed site but further delay was occasioned as a result of delay in disbursement from the exchequer.		
	<p><b>Non-compliance with the Procurement Law on 30% Reservation for Special Groups</b></p> <p>The annual procurement plan provided for audit review revealed that the Corporation planned to procure goods, works and services of Kshs.99, 060,885. However, out of this amount, only goods, works and services worth Kshs.4, 071,440 or 4% were reserved for the youth, women and people with disabilities, contrary to Section 157(5) of the Public Procurement and Asset Disposal Act, 2015 which provides that at least 30% of the total procurement portfolio be reserved for these special groups.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The management acknowledges the auditor's observation on the above subject matter. The management has in the subsequent financial year reserved 30% of the total recurrent budget to Youth, Women and People with disability.</p> <p>However, the corporation has a challenge in meeting the above requirements of 30% since major procurement products are feeds and medical supplies of the animals which require supplies from the approved suppliers and most of the people under the category of youth, women and people with disabilities does not meet the requirements. The management is currently working on the sensitization of the public to encourage this category of people to meet the minimum requirements in order to qualify for the supplies.</p>	<b>Not Resolved</b>	6-12 Months
	<p><b>Basis for Conclusion</b></p> <p><b>Lack of Risk Management Policy</b></p> <p>During the year under review, the Corporation operated without a risk management policy contrary to the provisions of Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which states that the Accounting Officer should ensure that there is a risk management policy that includes prevention</p>	<p>The management has not yet developed a risk management policy currently it applies a policy from the county executive but going forward the corporation is in process of developing its own policy.</p>	<b>Not Resolved</b>	6-12 Months

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S/ No	Issue / Observations from Auditor	Management comments	Status	Timeframe
	mechanisms and systems.  In the circumstances, effectiveness of internal controls and risk management could not be confirmed.			



CEO- KDDC

Date: 27/12/2024.....

**KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION**

County Government of Kakamega

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**Appendix II: Projects implemented by the Kakamega County Dairy Development Corporation.**

Projects implemented by the Kakamega County Dairy Development Corporation and funded by the Kakamega County Government.

**Status of Projects Completion**

S/NO.	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
CGK/KDDC/30/2019-2020	Proposed construction of Malava Smart Dairy Farm	16,664,026	16,664,026	100%	16,664,026	16,664,026	CGK
CGK/KDDC/005/2021-2022	Proposed construction of Likuyani Smart Dairy Farm	17,478,259	2,299,989	80%	17,478,259	2,299,989	CGK
CGK/KDDC/004/2021-2022	Proposed construction of Butere Smart Dairy Farm	10,654,987	6,434,676	75%	10,654,987	6,434,676	CGK
CGK/KDDC/006/2021-2022	Proposed construction of Navakholo Smart Dairy Farm	17,992,337	5,500,000	70%	17,992,337	5,500,000	CGK
CGK/KDDC/007/2021-2022	Proposed construction of Shibinga Smart Dairy Farm	11,361,616	9,051,958	80%	11,361,616	9,051,958	CGK
CGK/KDDC/008/2021-2022	Proposed construction of Shitoli Smart Dairy Farm	13,612,872	10,048,394	90 %	13,612,872	10,048,394	CGK

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**Appendix V- Inter-Entity Confirmation Letter**

County Government of Kakamega

Kakamega County Dairy Development Corporation


P.O Box 36

Kakamega.

The Kakamega County Dairy Development Corporation wishes to confirm the amounts disbursed to us as at 30<sup>th</sup> June 2024 as indicated in the table below.

Confirmation of amounts received by the Kakamega County Dairy Development Corporation as at 30 <sup>th</sup> June 2024							
Reference Number	Date Disbursed	Amounts Disbursed by CGK (KShs) as at 30th June 2024				Amount Received by KDDC (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Department (C)	Total (D)=(A+B+C)		
1	09.11.2023	10,000,000		-	10,000,000		
2	09.10.2023	3,000,000		-	3,000,000		
3	11.07.2023	6,000,000		-	6,000,000	6,000,000	
4	05.12.2023		15,000,000	-	15,000,000		
5	21.03.2024		18,323,194	-	18,323,194		
6	16.07.2024		19,900,000	-	19,900,000		
<b>Total</b>		<b>19,000,000</b>	<b>53,223,194</b>	<b>=</b>	<b>72,223,194</b>	<b>6,000,000</b>	<b>66,223,194</b>

I confirm that the amounts shown above are correct as of the date indicated.  
**Head of Finance department of KDDC**

Name: Ashyline Ambetsa      Sign       Date 27/12/2024