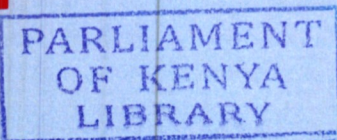


*Paper laid by
the Hon. Neshaki Juma
on Thursday 3/5/2018
M J*

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT FOR COOPERATIVES
(VOTE 1173)**

**FOR THE YEAR ENDED
30 JUNE 2017**



NATIONAL GOVERNMENT ENTITY
()

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30th, 2017

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

Table of Content

Page

KEY ENTITY INFORMATION AND MANAGEMENT	v
MANDATE	v
VISION	vi
MISSION	vi
STRATEGIC OBJECTIVES.....	vi
PROGRAMME AND SUB-PROGRAMMES	vi
KEY priorities for the State Department.....	vi
FORWARD BY THE CABINET SECRETARY	ix
Expenditure by economic classification.....	xii
Expenditure by economic classification at sub programme level	xiii
S.P 4.1: Co-operative governance and Accountability.....	xiii
S.P 4.2: Co-operative advisory Services	xiii
S.P 4.3: Co-operative Marketing, Value Addition and Research.....	xiv
S.P 4.4: Co-operative Management and Investment	xiv
S.P 4.5: General Administration, Planning and Support Services	xv
Achievements by the State Department during the F/Y 2016/17	xv
Coffee and Dairy debt waivers:	xv
Modernisation of New Kenya Co-operative Creameries (NKCC):.....	xvi
Policy and Legal reviews.....	xvii
Savings Mobilization.....	xvii
Emerging Issues and challenges	xvii
Recommendations	xviii
STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES	xix
Approval of the financial statements.....	xix
REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT FOR COOPERATIVES FOR THE YEAR ENDED 30 JUNE 2017	xx
STATEMENT OF RECEIPTS AND PAYMENTS	1
STATEMENT OF ASSETS AND LIABILITIES.....	2

STATEMENT OF CASH FLOWS	3
SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED.....	4
SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	5
SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	6
BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES.....	7
SIGNIFICANT ACCOUNTING POLICIES	8
SIGNIFICANT ACCOUNTING POLICIES	8
SIGNIFICANT ACCOUNTING POLICIES	9
SIGNIFICANT ACCOUNTING POLICIES	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
TRANSFERS FROM OTHER GOVERNMENT ENTITIES	11
OTHER REVENUES.....	11
COMPENSATION OF EMPLOYEES	11
USE OF GOODS AND SERVICES	12
GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES.....	12
OTHER GRANTS AND TRANSFERS	13
ACQUISITION OF ASSETS.....	13
OTHER EXPENSES.....	14
10A: Bank Accounts	15
10B: CASH IN HAND.....	15
11: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS.....	16
12. ACCOUNTS PAYABLE	16
13. FUND BALANCE BROUGHT FORWARD	16
14. PRIOR YEAR ADJUSTMENTS.....	16
15. RELATED PARTY DISCLOSURES.....	17
KEY MANAGEMENT PERSONNEL.....	17
16. OTHER IMPORTANT DISCLOSURES.....	18
16.1: PENDING ACCOUNTS PAYABLE (See Annex 1)	18
16.2: PENDING STAFF PAYABLES (See Annex 2).....	18
16.3: OTHER PENDING PAYABLES (See Annex 3)	18
17. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	19

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE.....	20
ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES.....	21
ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES.....	22
ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER	23
ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR COOPERATIVES	24
ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR COOPERATIVES	25
ANNEX 7- REPORTS GENERATED FROM IFMIS	26
ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES.....	27
ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER	28
ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR COOPERATIVES	29
ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR COOPERATIVES	30
ANNEX 7- REPORTS GENERATED FROM IFMIS	31

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Ministry of industry, trade and cooperatives

According to the Presidential Circular No. 1/2016 of May 2016 the main objective of the Ministry is to propel Kenya towards becoming a leading Industrial Hub and the most attractive investments destination in the region, thereby creating wealth and employment for Kenyans. The Ministry of Industry, Trade and Cooperatives has three State Departments and several State Agencies that support the implementation of its mandate. They include the State Department of Industry and Enterprise Development; the State Department for Cooperatives; and the State Department of Trade.

MANDATE

The State Department of Co-operatives was established under the Ministry of Industry, Trade and Co-operatives through the Presidential Circular No. 1/2016 of May 2016. Previously, it existed as a department within the Ministry of Industrialization and Enterprise Development. The Presidential Circular which established the State Department spells out its mandate to include the following:

1. Co-operative Policy and Implementation
2. Co-operative Financing Policy
3. Co-operative Legislation and Support Services
4. Co-operative Education and training
5. Co-operative Governance
6. Co-operative Production, Marketing and Value Addition
7. Promotion of Co-operative Ventures
8. Co-operative Audit services
9. Co-operative Savings, Credit and other Financial Services Policy

VISION

A globally competitive and sustainable co-operative sector

MISSION

Create an enabling environment for a vibrant and globally competitive co-operative sector through appropriate policy, legal and regulatory framework.

STRATEGIC OBJECTIVES

The Strategic objectives of the State Department of Co-operatives are to: -

1. To support the delivery of efficient and effective services in the Co-operative sector.
2. To promote efficient management, good governance and accountability within cooperative societies
3. To promote co-operative sector development

PROGRAMME AND SUB-PROGRAMMES

The State Department of Co-operative is implementing the **Co-operative Development and Management** Programme, which has five (5) sub-programmes as follows:

Programme 1: Co-operative Development and Management

S.P 4.1: Co-operative governance and Accountability

S.P 4.2: Co-operative advisory Services

S.P 4.3: Co-operative Marketing, Value Addition and Research

S.P 4.4: Co-operative Management and Investment

S.P 4.5: General Administration, Planning and Support Services

KEY priorities for the State Department

The priority areas are:

1. Transformation of New KCC into a leading regional dairy processor
2. Co-operative Management Information System (CMIS) Digitization of Co-operatives Services

3. Development and implementation of Risk Based Supervision Framework
4. Co-operative Development Project-Value addition in horticultural produce
5. Modernization of Co-operative Cotton Ginneries.
6. Establishment of Co-operative Share Trading Platform on NSE
7. Enhancing governance and accountability within the co-operative movement
8. Review of co-operative policy and legal framework.
9. Facilitating saving mobilization through SACCOs

(a) Key Management

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

- Accounting Officer
- Commissioner for Cooperative Development
- Director for Cooperative Audit and
- Director for Administration.

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Ali Noor Ismail
2.	Commissioner of Cooperatives	Mary Mungai
3.	Director Cooperative Audit	Andrew Mbui
	Chief Economist	Geoffrey Mulama
4.	Secretary ECCOS	Philip Gichuki
	Chief Finance Officer	Evelyn Nyakwara
	Senior A Secretary	Linda Kitavi

(c) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- *Audit and finance committee activities*
- *Parliamentary committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

(d) Entity Headquarters

P.O. Box 30547-00100
NSSF Building
Bishop Road
Nairobi, KENYA

Entity Contacts

Telephone: (254) 2731531
E-mail: ps@industrialization.go.ke
Website: www.go.ke

(e) Entity Bankers

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

(f) Independent Auditors

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

(g) Principal Legal Adviser

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

FORWARD BY THE CABINET SECRETARY

Financial Year 2016/17 Budget overview

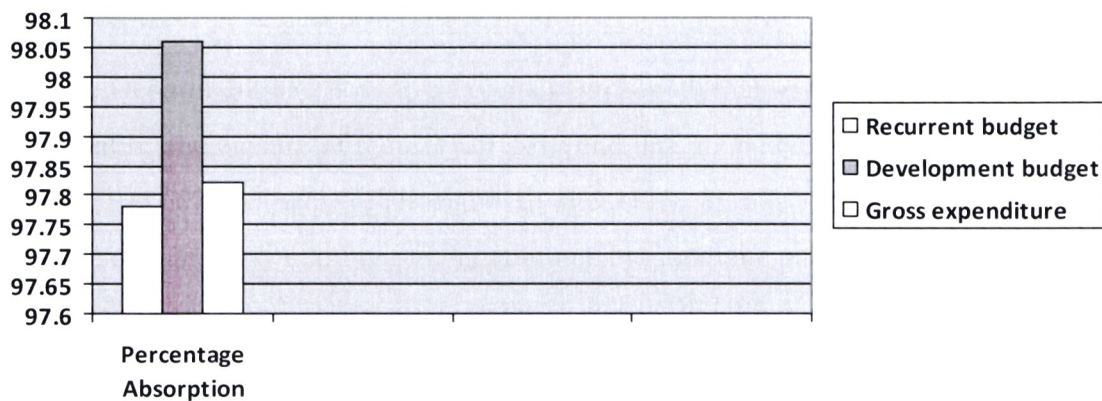
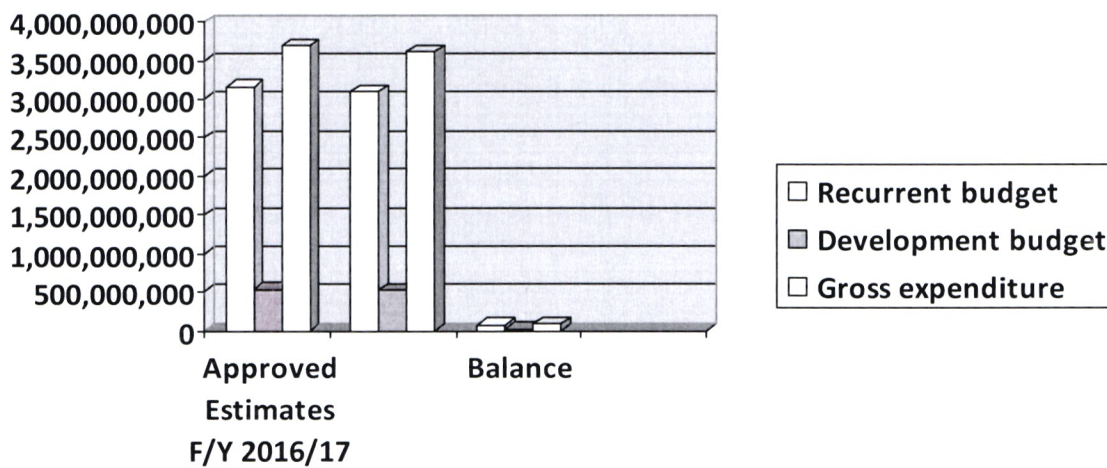
In line with the provision of Kenya Vision 2030 (KV2030), the SDC has identified key programs addressing employment creation, value addition, saving mobilization and equitable development. During the Financial Year 2016/17 the State Department engaged in co-operative policy and institutional reforms to spur growth of the sector. The main focus was on revitalizing existing co-operatives institutions to enhance value addition and production capacity. The Department improved service delivery through automation/digitization of its processes. Further, during the period under review, the State Department facilitated debt waiver of Kshs 700 Million owed to coffee cooperative societies, Kshs 1.7 Billion STABEX debt owed to the Cooperative Bank of Kenya and Kshs 442.4 M owed to dairy farmers by the defunct Kenya Cooperative Creameries. The state department also undertook to modernize the New Kenya Co-operative Creameries (New KCC) plant and equipment into a leading regional dairy processor at a cost of Kshs 470 Million, Digitize Co-operatives Services at a cost of Kshs 30 Million through establishment of a Co-operative Management Information System (CMIS) and Development and implementation of SASRA Risk Based Supervision Framework at a cost of Kshs 30 Million.

Financial Year 2016/17 Budget analysis

During the financial year 2016/17, the State Department was allocated **Kshs. 3,682,741,635** of which **Kshs. 3,152,741,635** was Recurrent and **Kshs. 530,000,000** was Development budget. The total actual expenditure during the F/Y 2016/17 was Kshs 3,608,826,083 which translates to 97.99% absorption rate. The actual expenditure for recurrent and development budget was Kshs 3,089,111,883 (97.78%) and Kshs 519,714,200 (98.06%) respectively. The AIA collected during the period was Kshs 8,755,500 against a target of Kshs 6,500,000.

The breakdown of the F/Y 2016/17 budget allocation and actual expenditure is given in the table below:

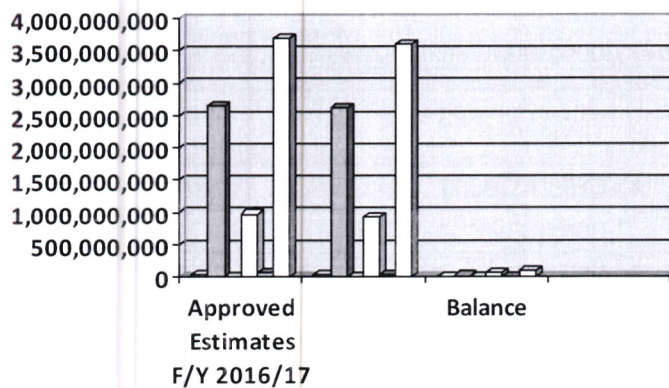
Item Description	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Recurrent budget	3,159,241,635	3,089,777,005	69,464,630	97.78
Development budget	530,000,000	519,714,200	10,285,800	98.06
Gross expenditure	3,689,241,635	3,608,826,083	80,415,552	97.82
AIA	6,500,000			
Net expenditure	3,682,741,635	3,609,491,205	73,250,430	97.99



The State Department had not separated its payroll with that of the State Department of Industry and Investment by the closure of the F/Y 2016/17 and thus its budget allocation for personal emoluments of Kshs 106,657,685 was re-allocated to the latter during supplementary budget II. The State Department of Industry and Investment continued to facilitate payment of personal emoluments of the State Department for cooperatives officers during the Financial Year under review. The State

Department approved estimates and actual expenditure for the F/Y 2016/17 as per the sub programmes is given below:

Sub Programme	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
S.P 4.1: Co-operative governance and Accountability	21,280,322	19,607,719	1,672,603	92.14%
S.P 4.2: Co-operative advisory Services	2,643,164,273	2,629,565,031	13,599,242	99.49%
S.P 4.3: Co-operative Marketing, Value Addition and Research	6,148,243	5,316,599	831,644	86.47%
S.P 4.4: Co-operative Management and Investment	970,000,000	912,604,920	57,395,080	94.08%
S.P 4.5: General Administration, Planning and Support Services	48,648,797	41,731,814	6,916,983	85.78%
Gross expenditure	3,689,241,635	3,608,826,083	80,415,552	97.82%
AIA	6,500,000	6,500,000	0.00	100%
Net expenditure	3,682,741,635	3,602,326,083	80,415,552	98.38%



- S.P 4.1: Co-operative governance and Accountability
- S.P 4.2: Co-operative advisory Services
- S.P 4.3: Co-operative Marketing, Value Addition and Research
- S.P 4.4: Co-operative Management and Investment
- S.P 4.5: General Administration, Planning and Support Services
- Gross expenditure

During the Financial year 2016/17 the State Department received exchequer of Kshs 3,616,700,000 and the actual expenditure was Kshs 3,608,520,183 as per the table below:

Item Description	Exchequer 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Recurrent budget	3,095,800,000	3,089,111,883	6,688,117	99.78%
Development budget	520,900,000	519,714,200	1,185,800	99.77%
Gross expenditure	3,616,700,000	3,608,826,083	7,873,917	99.78%

Expenditure by economic classification

The State Department is organised into one Programme called Co-operative Development and Management and five sub-programmes. The approved estimates and actual expenditure for the F/Y 2016/17 Co-operative Development and Management programme by economic classification is as follows:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Current Expenditure	3,159,241,635	3,089,111,883	70,129,752	97.78%
Compensation to Employees				
Use of Goods and Services	2,521,041,635	2,508,306,963	12,734,672	99.49%
Current Transfers to Govt. Agencies	638,200,000	580,804,920	57,395,080	91.01%
Other Recurrent				
Capital Expenditure	530,000,000	519,714,200	10,285,800	98.06%
Acquisition of Non-Financial Assets	470,000,000	470,000,000	0	100.00%
Other Development	60,000,000	49,714,200	10,285,800	82.86%
Total expenditure	3,689,241,635	3,608,826,083	80,415,552	97.82%

Expenditure by economic classification at sub programme level

S.P 4.1: Co-operative governance and Accountability

The State Department approved estimates and actual expenditure by economic classification for the F/Y 2016/17 for Sub Programme 4.1: Co-operative governance and Accountability is given below:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Current Expenditure	21,280,322	19,607,719	1,672,603	92.14%
Compensation to Employees				
Use of Goods and Services	21,280,322	19,607,719	1,672,603	92.14%
Current Transfers to Govt. Agencies				
Other Recurrent				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Other Development				
Total expenditure	21,280,322	19,607,719	1,672,603	92.14%

S.P 4.2: Co-operative advisory Services

The State Department approved estimates and actual expenditure by economic classification for the F/Y 2016/17 Sub Programme 4.2: Co-operative advisory Services is given below:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Current Expenditure	2,583,164,273	2,579,850,831	3,313,442	99.87%
Compensation to Employees				
Use of Goods and Services	2,444,964,273	2,441,650,831	3,313,442	99.86%
Current Transfers to Govt. Agencies	138,200,000	138,200,000		100.00%
Other Recurrent				
Capital Expenditure	60,000,000	49,714,200	10,285,800	82.86%
Acquisition of Non-Financial Assets				
Other Development	60,000,000	49,714,200	10,285,800	82.86%
Total expenditure	2,643,164,273	2,629,565,031	13,599,242	99.49%

S.P 4.3: Co-operative Marketing, Value Addition and Research

The State Department approved estimates and actual expenditure by economic classification for the F/Y 2016/17 Sub Programme 4.3: Co-operative Marketing, Value Addition and Research Services are given below:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Current Expenditure	6,148,243	5,316,599	831,644	86.47%
Compensation to Employees				
Use of Goods and Services	6,148,243	5,316,599	831,644	86.47%
Current Transfers to Govt. Agencies				
Other Recurrent				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Other Development				
Total expenditure	6,148,243	5,316,599	831,644	86.47%

S.P 4.4: Co-operative Management and Investment

The State Department approved estimates and actual expenditure by economic classification for the F/Y 2016/17 Sub Programme 4.4: Co-operative Management and Investment is given below:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentage Absorption
Current Expenditure	500,000,000	442,604,920	57,395,080	88.52%
Compensation to Employees				
Use of Goods and Services	500,000,000	442,604,920	57,395,080	88.52%
Current Transfers to Govt. Agencies				
Other Recurrent				
Capital Expenditure	470,000,000	470,000,000		100.00%
Acquisition of Non-Financial Assets	470,000,000	470,000,000		
Other Development				
Total expenditure	970,000,000	912,604,920	57,395,080	94.08%

S.P 4.5: General Administration, Planning and Support Services

The State Department approved estimates and actual expenditure by economic classification for the F/Y 2016/17 Sub Programme 4.5: General Administration, Planning and Support Services are given below:

	Approved Estimates F/Y 2016/17	Actual Expenditure F/Y 2016/17	Balance	Percentag e Absorption
Current Expenditure	48,648,797	41,731,814	6,916,983	85.78%
Compensation to Employees				
Use of Goods and Services	48,648,797	41,731,814	6,916,983	85.78%
Current Transfers to Govt. Agencies				
Other Recurrent				
Capital Expenditure				
Acquisition of Non-Financial Assets				
Other Development				
Total expenditure	48,648,797	41,731,814	6,916,983	85.78%

Achievements by the State Department during the F/Y 2016/17

This report highlights the Jubilee Governments achievements through its State Department for Cooperatives as well as those of its State Corporations in the past one year.

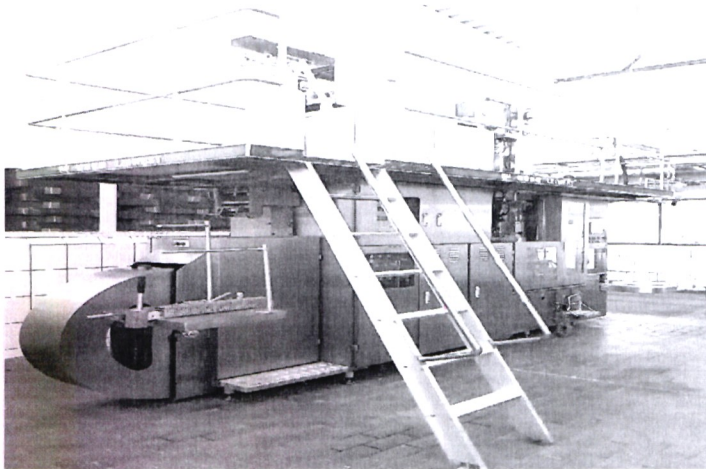
Coffee and Dairy debt waivers:

- i) The Government, through the Ministry of Industry, Trade and Cooperatives allocated and has already disbursed Kshs. 700 Million towards the settlement of debts owed to nine (9) coffee cooperative unions and seventeen (17) rural SACCOs by primary co-operative societies and individual coffee farmers. This is geared toward revitalizing the coffee sector by improving production, boost the income of farmers and relieve farmers the burden of loans repayment and accrued interest.
- ii) The State department has also cleared Kshs 1.7 Billion coffee STABEX Fund owed to Cooperative Bank which was advanced to farmers as Farm Input Loans (FILS) to enable them access farm inputs but they were unable to service the debt due to global coffee prices slump.
- iii) Kshs. 442.40Million of the money owed to dairy farmers amounting to Kshs. 500 Million by the defunct Kenya Co-operative Creameries has been disbursed. Phase II of the validation exercise for the disbursement of Kshs. 57.60M is on-going.

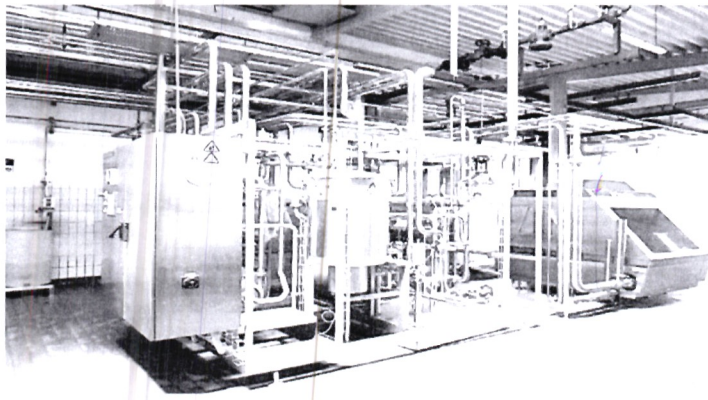
Modernization of New Kenya Co-operative Creameries (NKCC):

i) New KCC has been using obsolete milk processing machines which have impacted negatively on its efficiency, competitiveness and productivity. To address this deficiency, the government is providing funds to modernize its plants and factories in various parts of the country. A total of Kshs. 470 Million was disbursed during the F/Y 2016/17 for the modernization:

- **NKCC Eldoret Factory:** Machines (UHT processing and packaging line comprising of a sterilizer, aseptic tank, three filling machines (250ml, 500ml and 1 litre) complete with downstream equipment) were delivered, installed and commissioned.
- **Dandora NKCC factory:** Civil and Installation (A mala and yoghurt processing line, Gable top packing machine) works ongoing.
- **Nyahururu NKCC plant:** Machines (TFA Conversion kit, TFA machine and Cleaning in Place system) were delivered and installed.



250ml septic filling machine supplied and installed



12,000l/h Sterilizer with homogenizer at Eldoret factory

Policy and Legal reviews

The Department developed the Co-operative Development Policy and is waiting submission submitted to cabinet and thereafter to parliament for approval.

Savings Mobilization

- i) Savings mobilization by cooperatives increased by Kes.46bn from Kes.594 Billion in 2016 to 640 Billion as at June 2017. The Department has developed Sharia Compliance Policy Guideline which will be launched soon. This policy is intended to deepen savings mobilization by bringing Kenyans professing Muslim faith onto Co-operative fraternity
- ii) The Department has allocated funds to SASRA to establish a Risk Based Supervision system to enable it enhance its capacity to carry out real time supervision and intervention to safeguard members' savings and increase confidence in SACCOs financial system.

Emerging Issues and challenges

- **Inadequate funding for programmes:** The Sub sector funding has been inadequate to enable it effectively deliver its mandate and implementation of the Vision 2030 flagship projects and programmes.
- **Un-aligned policy, legislative and regulatory framework:** The sub sector is faced with the challenge of aligning operational laws in the counties with national framework and harmonized policies for effective discharge and enforcement of the sub sector's mandate.
- **Technology, Innovation, Research and Development:** Research and Development is vital to support the growth and development of the sector. However, although R&D has been identified

as a key enabler, there has been low funding, inadequate research and productivity, infrastructural capacity and skills gap.

- **ICT Infrastructure:** The low levels of penetration and high cost of ICT infrastructure has hindered access and usage of ICT leading to increased costs of production, low service delivery outreach and low access to technologies and market information.

Recommendations

In order to enhance the sub sector's contribution and productivity to the economy and to ensure successful implementation of the programs and projects planned for implementation in the 2017/18-2019/20 MTEF period, it is recommended that:

- i) The National Treasury should enhance funding to the Sub Sector to support its key priority programmes;
- ii) Enhancing capacity of the State Department human resource development
- iii) There is need to develop further collaboration frameworks with major stakeholder to enhance project implementation both at the National and County levels.

Sign

Cabinet Secretary

STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

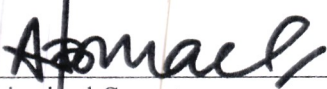
The Accounting Officer in charge of the State Department for Cooperatives is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

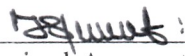
The Accounting Officer in charge of the State Department for Cooperatives accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Cooperatives further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 30th June, 2017.


Principal Secretary
Name: Ali N. Ismail


Principal Accounts Controller
Name: Richard K. Mwangi
ICPAK Member Number: 3949



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR COOPERATIVES (VOTE 1173) FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the State Department for Cooperatives (Vote 1173) set out on pages 1 to 31, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Department for Cooperatives as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matter described on the Other Matter section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Cooperatives in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 Other Matter section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

Non-compliance with Public Finance Management Act, 2012 – Management Supervision and Liquidation Fund

Section 84 of the Public Finance Management Act, 2012 requires the Accounting Officer administering a national public fund to prepare and submit the financial statements of the fund at the end of each fiscal period and submit these to the Auditor-General for audit. Further, Rule 18 and 49 of the Cooperative Societies Rules, 2004 under Legal Notice No. 123, established the Management and Supervision Fund and the Cooperative Liquidation Account respectively and entrusts the Commissioner of Cooperatives with their management and administration. As observed in the previous year, the Department has not prepared and submitted for audit, separate financial statements of the Management and Supervision Fund as well as the Liquidation Account for the four financial years ended 30 June 2013 to 30 June 2017 to enable the Auditor-General provide an opinion on the Fund's operations for the period and its financial position at the close of each financial year. In the circumstance, the Department has therefore breached the law.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Department's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intend to have the State Department cease operations.

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

Those charged with governance are responsible for overseeing the Department's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi


16 April 2018


**State Department for Cooperatives
Reports and Financial Statements
For the year ended June 30, 2017**

STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
RECEIPTS			
Exchequer releases	1	3,616,700,000	-
Transfers from Other Government Entities	2	21,706,416	-
Other Receipts	3	6,500,000	-
TOTAL RECEIPTS		3,644,906,416	-
PAYMENTS			
Compensation of Employees	4	5,000,000	-
Use of goods and services	5	2,246,855,351	-
Transfers to Other Government Units	6	638,200,000	-
Other grants and transfers	7	700,000,000	-
Acquisition of Assets	8	19,435,855	-
Other Payments	9	19,937,465	-
TOTAL PAYMENTS		3,629,428,670	-
SURPLUS/DEFICIT		15,477,746	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th June, 2017 and signed by:


Principal Secretary
Name: Ali N. Ismail


Principal Accounts Controller
Name: Richard K. Mwangi
ICPAK Member Number: 3949

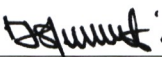
STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10A	20,868,468	-
Cash Balances	10B	314,873	-
Total Cash and cash equivalent		<u>21,183,341</u>	=
Accounts receivables – Outstanding Imprests	11	314,873	-
TOTAL FINANCIAL ASSETS		<u>21,214,593</u>	-
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	12	5,390,722	-
NET FINANCIAL ASSETS		15,477,746	-
REPRESENTED BY			
Fund balance b/fwd	13	-	-
Prior year adjustment		-	-
Surplus/Deficit for the year		15,477,746	-
NET FINANCIAL POSSITION		<u>15,477,746</u>	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th June, 2017 and signed by:



 Principal Secretary
 Name: Ali N. Ismail

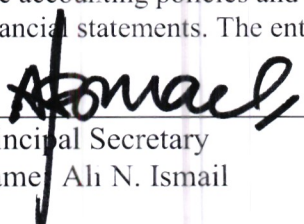


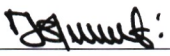
 Principal Accounts Controller
 Name: Richard K. Mwangi
 ICPAK Member Number: 3949

STATEMENT OF CASH FLOWS

	2016-2017 Kshs	2015-2016 Kshs
Receipts for operating income		
Exchequer Releases	1 3,616,700,000	-
Transfers from Other Government Entities	2 21,706,416	-
Other Revenues	3 6,500,000	-
Payments for operating expenses		
Compensation of Employees	4 5,000,000	-
Use of goods and services	5 2,246,855,351	-
Transfers to Other Government Units	6 638,200,000	-
Other grants and transfers	7 700,000,000	-
Other Expenses	9 19,937,465	-
Adjusted for:		
Changes in receivables		
Changes in payables	14	-
Net cash flow from operating activities	40,965,321	-
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	8 (19,435,855)	-
Net cash flows from Investing Activities	(19,435,855)	-
CASHFLOW FROM BORROWING ACTIVITIES		
Net cash flow from financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENT	21,183,341	-
Cash and cash equivalent at BEGINNING of the year	13 -	-
Cash and cash equivalent at END of the year	10 21,183,341	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th June, 2017 and signed by:


 Principal Secretary
 Name: Ali N. Ismail



 Principal Accounts Controller
 Name: Richard K. Mwangi
 ICPAK Number: 3949

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Proceeds from Domestic and Foreign Grants						
Exchequer releases	3,644,450,523	38,291,112	3,682,741,635	3,616,700,000	66,041,635	98%
Transfers from Other Government Entities						
Other Receipts	6,500,000		6,500,000	6,500,000		100%
TOTAL RECEIPTS	3,650,950,523	38,291,112	3,689,241,635	3,644,906,416	44,335,219	99%
PAYMENTS						
Compensation of Employees	106,657,685	(101,657,685)	5,000,000	5,000,000		100%
Use of goods and services	2,447,053,638	(120,915,046)	2,326,138,592	2,246,855,351	79,283,241	97%
Transfers to Other Government Units	383,200,000	255,000,000	638,200,000	638,200,000		100%
Other grants and transfers	700,000,000		700,000,000	700,000,000		100%
Acquisition of assets	14,039,200	5,863,843	19,903,043	19,435,855	467,188	98%
Other expenses				19,937,465	(19,937,465)	
Total Payments	3,650,950,523	38,291,112	3,689,241,635	3,629,428,671	59,812,964	98%
Surplus/ Deficit				15,477,745	(15,477,745)	

The entity financial statements were approved on 30th June, 2017 and signed by:


 Principal Secretary
 Name: Ali N. Ismail


 Principal Accounts Controller
 Name: Richard K. Mwangi
 ICPAK Member Number: 3949


SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	3,114,450,523	38,291,112	3,152,741,635	3,095,800,000	56,941,635	98%
Other Receipts	6,500,000		6,500,000	6,500,000		100%
Transfer from other government entities				21,706,416		
TOTAL RECEIPTS	3,120,950,523	38,291,112	3,159,241,635	3,124,006,416	35,235,219	99%
PAYMENTS						
Compensation of Employees	106,657,685	(101,657,685)	5,000,000	5,000,000	-	100%
Use of goods and services	2,247,053,638	49,084,954	2,296,138,592	2,227,141,151	68,997,441	97%
Transfers to Other Government Units	53,200,000	85,000,000	138,200,000	138,200,000		100%
Other grants and transfers	700,000,000		700,000,000	700,000,000		100%
Acquisition of Assets	14,039,200	5,863,843	19,903,043	19,435,855	467,188	98%
Other Payments				19,937,465	(19,937,465)	
Totals	3,120,950,523	38,291,112	3,159,241,635	3,109,714,471	49,527,165	98%
Surplus/Deficit				14,291,945	(14,291,945)	

Notes:

The entity financial statements were approved on 30th June, 2017 and signed by:


Principal Secretary
Name: Ali N. Ismail



Principal Accounts Controller
Name: Richard K. Mwangi
ICPAK Member Number:


SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	530,000,000		530,000,000	520,900,000	9,100,000	98%
TOTAL RECEIPTS	530,000,000		530,000,000	520,900,000	9,100,000	98%
PAYMENTS						
Use of goods and services	200,000,000	(170,000,000)	30,000,000	19,714,200	10,285,800	66%
Transfers to Other Government Units	330,000,000	170,000,000	500,000,000	500,000,000		100%
Totals	530,000,000		530,000,000	519,714,200	10,285,800	98%
Surplus/Deficit				1,185,800	(1,185,800)	

Notes: The firm that was given contract to develop the Cooperatives Management Information System did not complete the system development before the closure of financial year 2016/2017, therefore payment could not be made.

The entity financial statements were approved on 30th June, 2017 and signed by:


 Principal Secretary
 Name: Ali N. Ismail


 Principal Accounts Controller
 Name: Richard Kuria Mwangi
 ICPAK Member Number: 3949

BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 20xx Kshs	Adjustments Kshs	Final Budget 20xx Kshs	Actual on comparable basis Date, 20xx Kshs	Budget utilization difference Kshs
Cooperative Governance and Accountability Programme	22,665,322		22,665,322	21,128,519.10	1536,805.90
Cooperative advisory services	2,638,473,552		2,638,473,552	2,625,607,596.25	12,865,955.75
Marketing, value addition and research	9,453,964		9,453,964	8,109,356.10	1,344,607.90
Cooperative management and investment	970,000,000		970,000,000	912,604,920.05	57,395,079.95
General administration planning and support services	48,648,797		48,648,797	42,040,813.95	6,607,983.05
TOTAL	3,689,241,635		3,682,741,635	3,609,491,205.00	73,250,430.00

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below.

This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

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

2. Reporting entity

The financial statements are for the State Department for Cooperatives The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Recognition of receipts and payments

a) Recognition of receipts

The Entity recognizes all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

SIGNIFICANT ACCOUNTING POLICIES

Transfers from the Exchequer

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

External Assistance

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

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

Other receipts

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

b) Recognition of payments

The entity recognizes all expenses when the event occurs and the related cash has actually been paid out by the entity.

Compensation of employees

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

SIGNIFICANT ACCOUNTING POLICIES

Use of goods and services

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

Interest on borrowing

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

Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

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

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

4. In-kind contributions

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

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

SIGNIFICANT ACCOUNTING POLICIES

Restriction on cash

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs 5,736,847.00 compared to Kshs 0.00 in prior period as indicated on note 12.

There were no other restrictions on cash during the year

6. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the

imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. EXCHQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	-	-
Total Exchequer Releases for quarter 2	976,900,000	-
Total Exchequer Releases for quarter 3	2,243,600,000	-
Total Exchequer Releases for quarter 4	396,200,000	-
Total	3,616,700,00	-

2. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
AIE from State Department of Industry and Investment	21,706,416.00	-
TOTAL	21,706,416.00	-

The above transfers were received from the following self-reporting entities in the year

3. OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	6,500,000	-
Total	6,500,000	-

(Explain what other receipts not classified elsewhere relates to All other revenues must be classified into their relevant classes and explained)

4. COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Personal allowances paid as part of salary	5,000,000.00	-
Total	5,000,000.00	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. USE OF GOODS AND SERVICES

	2016-2017	2015-2016
	Kshs	Kshs
Communication, supplies and services	7,057,475	-
Domestic travel and subsistence	14,510,933	-
Foreign travel and subsistence	9,216,480	-
Printing, advertising and information supplies & services	2,486,736	-
Training expenses	12,322,219	-
Hospitality supplies and services	10,863,750	-
Specialized materials and services	4,085,100	-
Office and general supplies and services	12,805,608	-
Other operating expenses	2,164,451,652	-
Routine maintenance – vehicles and other transport equipment	2,282,063	-
Routine maintenance – other assets	2,755,534	-
Fuel Oil and Lubricants	4,017,800	-
Total	2,246,855,350	

6. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2016-2017	2015-2016
	Kshs	Kshs
Current grant to government agencies	138,200,000	-
Capital grant to government agencies	500,000,000	-
TOTAL	638,200,000	-

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total	2015-2016
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
NKCC	368,874,540	470,000,000	838,874,540	-
SASRA	138,200,000	30,000,000	168,200,000	-
TOTAL	507,074,540	500,000,000	1,007,074,540	-

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Grants to small businesses, cooperatives, and self employed	700,000,000	-
Total	700,000,000	-

8. ACQUISITION OF ASSETS

Non Financial Assets	2016-2017	2015-2016
	Kshs	Kshs
Purchase of Buildings		-
Construction of Buildings		
Refurbishment of Buildings		-
Construction of Roads		
Construction and Civil Works		
Overhaul and Refurbishment of Construction and Civil Works		-
Purchase of Vehicles and Other Transport Equipment	12,362,400	
Overhaul of Vehicles and Other Transport Equipment	391,220	-
Purchase of Household Furniture and Institutional Equipment		
Purchase of Office Furniture and General Equipment	3,289,335	
Purchase of ICT Equipment, Software and Other ICT Assets		-
Purchase of Specialized Plant, Equipment and Machinery		
Rehabilitation and Renovation of Plant, Machinery and Equip.		
Purchase of Certified Seeds, Breeding Stock and Live Animals		-
Research, Studies, Project Preparation, Design & Supervision	3,392,900	
Rehabilitation of Civil Works		-
Acquisition of Strategic Stocks and commodities		
Sub-total	19,435,855	
Financial Assets		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
Foreign financial Institutions operating Abroad		-
Other Foreign Enterprises		
Foreign Payables - From Previous Years		-
Sub-total		
Total	19,435,855	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. OTHER EXPENSES

	2016-2017	2015-2016
	Kshs	Kshs
Other expenses	19,937,465	-
	19,937,465	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developm ent, deposit e.t.c	Exc rate (if in foreign currency)	2016-2017	2015-2016
				Kshs	Kshs
<i>Recurrent account 1000303042</i>				14,291,946	-
<i>Development account 10003033058</i>				1,185,800	-
<i>Deposit account 1000303069</i>				5,390,722	-
Total				20,868,468	-

10B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand – Held in domestic currency	314,873	-
Cash in Hand – Held in foreign currency	-	-
Total	314,873	-

Cash in hand should also be analyzed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Recurrent	101,973	-
Deposit	212,900	-
Total	314,873	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2016-2017	2015-2016
	Kshs	Kshs
Salary advances	11,200	-
Total	11,200	-

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		Kshs	Kshs	Kshs
Doris W. Githua	13/05/2017	11,200	-	11,200
Total		11,200	-	11,200

12. ACCOUNTS PAYABLE

Description	2016-2017	2015-2016
	Kshs	Kshs
Deposits	5,390,722	-
Total	5,390,722	-

13. FUND BALANCE BROUGHT FORWARD

Description	2016-2017	2015-2016
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Accounts Receivables	-	-
Accounts Payables	-	-
Total	-	-

14. PRIOR YEAR ADJUSTMENTS

Description of the error	2016 – 2017	2015 – 2016
	Kshs	Kshs
Adjustments on bank account balances	-	-
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables	-	-
Others (<i>specify</i>)	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department for Cooperatives

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

KEY MANAGEMENT PERSONNEL.

NAME	DESIGNATION
Adan Mohamend	Cabinet Secretary
Ali Noor Ismail	Principal Secretary
Mary Mungai	Commissioner for Co-operative Development
Andrew Mbwi	Director Co-operative Audit
Philip Gichuki	Secretary ECCOS
Geoffrey Mulama	Chief Economist
Evelyn Nyakwara	Chief Finance Officer
Linda Kitavi	Ag. SAS

2. SAGAS	KSHS.
New Kenya Co-operatives Creameries	838,874,540.00
SASRA	168,200,000.00

3. COMPARATIVE FIGURES

The State Department for Co-operatives Vote 1173 started operations in 2016/2017 financial year, therefore we did not have comparative figures.

16. OTHER IMPORTANT DISCLOSURES

16.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
	-	-

16.2: PENDING STAFF PAYABLES (See Annex 2)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others	-	-
	-	-

16.3: OTHER PENDING PAYABLES (See Annex 3)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to Entity entities	-	-
Amounts due to third parties	-	-
Others	-	-
	-	-

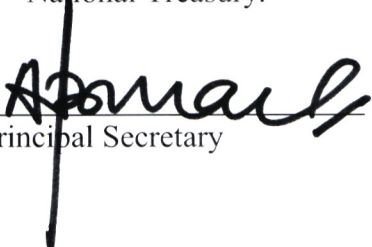
17. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

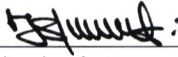
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unexplained transfer for coffee debt waiver	The management has given the explanation	Mr David Obonyo	Not Resolved	31-10-2017
5	Non-compliant with PFM Act, 2012, Management, Supervision and Liquidation Funds	The Funds Accounts have been prepared and submitted to Auditor General for audit.	Mr Omwange (PAC) Industry and Enterprise Development	Not Resolved	31-10-2017

Guidance Notes:

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


Principal Secretary


Principal Accounts Controller

State Department for Cooperatives
 Reports and Financial Statements
 For the year ended June 30, 2017

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

**State Department for Cooperatives
Reports and Financial Statements
For the year ended June 30, 2017**

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

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

State Department for Cooperatives
 Reports and Financial Statements
 For the year ended June 30, 2017

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
	Sub-Total						
Amounts due to County Govt Entities							
4.							
5.							
6.							
	Sub-Total						
Amounts due to Third Parties							
7.							
8.							
9.							
	Sub-Total						
Others (specify)							
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land	Nil	Nil	Nil	Nil
Buildings and structures	Nil		Nil	Nil
Transport equipment	Nil	12,362,399	Nil	12,362,399
Office equipment, furniture and fittings	Nil	1,035,500	Nil	1,035,500
ICT Equipment, Software and Other ICT Assets	Nil	2,384,000	Nil	2,384,000
Other Machinery and Equipment	Nil	302,300	Nil	302,300
Heritage and cultural assets	Nil	Nil	Nil	Nil
Intangible assets	Nil	3,149,856	Nil	3,149,856
Total	Nil	19,234,055	Nil	19,234,055

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR COOPERATIVES

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
1				

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR COOPERATIVES

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Office.	Amount transferred during the year	Intr- entity reconciliations done?(yes/no)
1	NKCC	Buy, process and sell dairy products	CEO	838,874,540	Yes
2	SASRA	Regulate SACCOS with front office operations	CEO	168,200,000	Yes
Total				1,007,074,540	Confirmed

ANNEX 7- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount a	Date Payable Contracted b	Amount Paid To-Date c	Outstanding Balance 2017 d=a-c	Outstanding Balance 2016	Comments
Amounts due to National Govt Entities							
13.							
14.							
15.							
Sub-Total							
Amounts due to County Govt Entities							
16.							
17.							
18.							
Sub-Total							
Amounts due to Third Parties							
19.							
20.							
21.							
Sub-Total							
Others (specify)							
22.							
23.							
24.							
Sub-Total							
Grand Total							

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 2016/2017
Land	Nil	Nil	Nil	Nil
Buildings and structures	Nil		Nil	Nil
Transport equipment	Nil	12,362,399	Nil	12,362,399
Office equipment, furniture and fittings	Nil	1,035,500	Nil	1,035,500
ICT Equipment, Software and Other ICT Assets	Nil	2,384,000	Nil	2,384,000
Other Machinery and Equipment	Nil	302,300	Nil	302,300
Heritage and cultural assets	Nil	Nil	Nil	Nil
Intangible assets	Nil	3,149,856	Nil	3,149,856
Total	Nil	19,234,055	Nil	19,234,055

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

ANNEX 5 - LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR COOPERATIVES

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
1				

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR COOPERATIVES

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	NKCC	Buy, process and sell dairy products	CEO	838,874,540	Yes
2	SASRA	Regulate SACCOS with front office operations	CEO	168,200,000	Yes
Total				1,007,074,540	Confirmed

ANNEX 7- REPORTS GENERATED FROM IFMIS

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- xvii. GOK IFMIS Statement of Budget Execution
- xviii. GOK IFMIS Statement of Deposits
- xix. GOK IFMIS Budget Execution by Programme and Economic Classification
- xx. GOK IFMIS Budget Execution by Heads and Programmes



Trial Balance

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To ADJ2-16

Account No and Description	Current Period		Previous period	
	Debit Kshs	Credit Kshs	Debit Kshs	Credit Kshs
2110300 Personal Allowances paid as part of Salary	5,000,000.00	0.00	0.00	0.00
2110000 Wages and Salary Contributions	5,000,000.00	0.00	0.00	0.00
2210200 Communication, Supplies and Services	7,057,475.00	0.00	0.00	0.00
2210300 Domestic Travel and Subsistence, and Other Transportation Costs	14,510,933.00	0.00	0.00	0.00
2210400 Foreign Travel and Subsistence, and other transportation costs	9,216,480.00	0.00	0.00	0.00
2210500 Printing, Advertising and Information Supplies and Services	2,486,736.00	0.00	0.00	0.00
2210700 Training Expenses	12,322,219.35	0.00	0.00	0.00
2210800 Hospitality Supplies and Servi	10,863,749.85	0.00	0.00	0.00
2211000 Specialised Materials and Supp	4,085,100.00	0.00	0.00	0.00
2211100 Office and General Supplies and Services	12,805,608.00	0.00	0.00	0.00
2211200 Fuel Oil and Lubricants	4,017,799.95	0.00	0.00	0.00
2211300 Other Operating Expenses	2,164,451,652.05	0.00	0.00	0.00
2210000 Goods and Services	2,241,817,753.20	0.00	0.00	0.00
2220100 Routine Maintenance - Vehicles	2,282,063.10	0.00	0.00	0.00
2220200 Routine Maintenance - Other Assets	2,755,534.60	0.00	0.00	0.00
2220000 Routine Maintenance	5,037,597.70	0.00	0.00	0.00
2630100 Current Grants to Government Agencies and other Levels of Government	138,200,000.00	0.00	0.00	0.00
2630200 Capital Grants to Government Agencies and other Levels of Government	500,000,000.00	0.00	0.00	0.00
2630000 Grants & Transfer To Other Govt. Units	638,200,000.00	0.00	0.00	0.00
2640300 Grants to Small Businesses, Cooperatives, and Self Employed	699,999,999.55	0.00	0.00	0.00
2640000 Other Transfers and Emergency Relief	699,999,999.55	0.00	0.00	0.00
3110700 Purchase of Vehicles and Other Transport Equipment	12,362,400.00	0.00	0.00	0.00
3110800 Overhaul of Vehicles and Other Transport Equipment	391,220.00	0.00	0.00	0.00
3111000 Purchase of Office Furniture and General Equipment	3,289,335.00	0.00	0.00	0.00
3111400 Research, Feasibility Studies, Project Preparation and Design, Project Supervision	3,392,900.00	0.00	0.00	0.00
3110000 Acquisition of Fixed Capital Assets	19,435,855.00	0.00	0.00	0.00
6530100 Recurrent Bank Accounts	0.00	448,212,726.05	0.00	0.00
6530000 Recurrent Bank Accounts	0.00	448,212,726.05	0.00	0.00
6550100 Deposit Bank Accounts	0.00	15,000,000.00	0.00	0.00
6550000 Deposit Bank Account	0.00	15,000,000.00	0.00	0.00
6580100 Cash in Hand	7,427,894,107.75	0.00	0.00	0.00
6580000 Cash in Hand	7,427,894,107.75	0.00	0.00	0.00
6740100 Other Debtors & Pre-payments	0.00	1,387,113.40	0.00	0.00
6740000 Other Debtors & Pre-payments	0.00	1,387,113.40	0.00	0.00
6760100 Imprests	2,216,657.00	4,879.00	0.00	0.00
6760000 Government Imprests	2,216,657.00	4,879.00	0.00	0.00
6780100 Suspense & Clearance Account	27,665,877.20	0.00	0.00	0.00
6780000 Suspense & Clearance Account	27,665,877.20	0.00	0.00	0.00
7310100 General Deposits Items	0.00	18,250,675.00	0.00	0.00
7310000 Deposits	0.00	18,250,675.00	0.00	0.00
7320200 Other General Liabilities	0.00	0.00	0.00	0.00

Account No and Description	Current Period		Previous period	
	Debit	Credit	Debit	Credit
7320000 Other Liabilities	0.00	0.00	0.00	0.00
7380100	2,380.05	0.00	0.00	0.00
7380000 Withholding Taxes	2,380.05	0.00	0.00	0.00
7390100 System Required Liabilities	720,963,544.05	0.00	0.00	0.00
7399900	0.00	3,916,878,378.05	0.00	0.00
7390000 System Required Liabilities A/cs	720,963,544.05	3,916,878,378.05	0.00	0.00
9910200 Exchequer Provisions	0.00	7,388,500,000.00	0.00	0.00
9910000 Provisions	0.00	7,388,500,000.00	0.00	0.00
Total	11,788,228,892.50	11,788,228,892.50	11,788,228,892.50	11,788,228,892.50

The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____ Date: _____
Reviewed By: _____ Date: _____
Approved By: _____ Date: _____

F.O. 30

BANK RECONCILIATION
STATE DEPARTMENT FOR COOPERATIVES

From Date : 01-JUN-17 To : 30-JUN-17

REC-STATE DEPT FOR CO-OPERATIVES

Bank : Central Bank of Kenya , Branch : Haile Selassie , Account Number : 1000303042

	Balance as per bank certificate	109,382,500.30
Less --		
	1. Payment in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)	104,039,897.60
	2. Receipts in Bank Statement not yet recorded in Cash Book	148,000.00
Add --		
	3. Payment in Bank Statement not yet recorded in Cash Book	4,189.65
	4. Receipts in Cash Book not yet Recorded in Bank Statement	129,110,646.00
	Bank Balance as per Cash Book	134,309,438.35

Reconciled by: Signature: Date:

Reviewed by : Signature: Date:

Approved by: Signature: Date:

F.O. 30

BANK RECONCILIATION
STATE DEPARTMENT FOR COOPERATIVES

From Date : 01-JUN-17 To : 30-JUN-17

DEP-STATE DEPT FOR CO-OPERATIVES

Bank : Central Bank of Kenya , Branch : Haile Selassie , Account Number : 1000303069

	Balance as per bank certificate	6,192,021.00
Less --		
1. Payment in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)		1,988,560.00
2. Receipts in Bank Statement not yet recorded in Cash Book		
Add --		
3. Payment in Bank Statement not yet recorded in Cash Book		
4. Receipts in Cash Book not yet Recorded in Bank Statement		16,978,223.00
	Bank Balance as per Cash Book	21,181,684.00

Reconciled by: Signature: Date:

Reviewed by : Signature: Date:

Approved by: Signature: Date:



STATEMENT OF RECEIPTS AND PAYMENTS

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To JUN-16

	Note	Current Period	Previous Period
RECEIPTS			
Tax Receipts	1	0.00	0.00
Social Security Contribution	2	0.00	0.00
Proceeds from Domestic and Foreign Grants	3	0.00	0.00
Exchequer releases	4	7,388,500,000.00	0.00
Transfers from Other Government Entities	5	0.00	0.00
Proceeds from Domestic Borrowings	6	0.00	0.00
Proceeds from Foreign Borrowings	7	0.00	0.00
Proceeds from Sales of Assets	8	0.00	0.00
Reimbursements and Refunds	9	0.00	0.00
Returns of Equity Holdings	10	0.00	0.00
Other Receipts	11	0.00	0.00
TOTAL RECEIPTS		7,388,500,000.00	0.00
PAYMENTS			
Compensation of Employees	12	5,000,000.00	0.00
Use of goods and Services	13	2,246,855,350.90	0.00
Subsidies	14	0.00	0.00
Transfers to Other Government Units	15	638,200,000.00	0.00
Other Grants and Transfers	16	699,999,999.55	0.00
Social Security Benefits	17	0.00	0.00
Acquisition of Assets	18	19,435,855.00	0.00
Finance Costs, including Loan Interest	19	0.00	0.00
Repayment of Principal on Domestic and Foreign Borrowing	20	0.00	0.00
Other payments	21	0.00	0.00
TOTAL PAYMENTS		3,609,491,205.45	0.00
SURPLUS/DEFICIT		3,779,008,794.55	0.00

The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____ Date: _____
Reviewed By: _____ Date: _____
Approved By: _____ Date: _____



Statement of Financial Position

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To JUN-16

	Note	Current Period	Previous Period
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	22A	(463,212,726.05)	0.00
Cash Balances	22B	7,427,894,107.75	0.00
Total Cash And Cash Equivalents		6,964,681,381.70	0.00
Accounts Receivables - Outstanding Imprest and Clearence Accounts	23	28,490,541.80	0.00
TOTAL FINANCIAL ASSETS		6,993,171,923.50	0.00
Financial Liabilities			
Accounts Payables - Deposits	24	3,214,163,128.95	0.00
NET FINANCIAL ASSETS		3,779,008,794.55	0.00
REPRESENTED BY			
Fund Balance b/fwd	25	0.00	0.00
Surplus/Deficit for the Year		3,779,008,794.55	0.00
NET FINANCIAL POSITION		3,779,008,794.55	0.00

The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____

Date: _____

Reviewed By: _____

Date: _____

Approved By _____

Date: _____



STATEMENT OF CASH FLOW

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To JUN-16

	Note	Current Period Kshs	Previous Period Kshs
Receipts and operating income			
Tax Receipts	1	0.00	0.00
Social Security Contribution	2	0.00	0.00
Proceeds from Domestic and Foreign Grants	3	0.00	0.00
Exchequer releases	4	7,388,500,000.00	0.00
Transfers from Other Government Entities	5	0.00	0.00
Reimbursements and Refunds	9	0.00	0.00
Returns of Equity Holdings	10	0.00	0.00
Other Receipts	11	0.00	0.00
Payments for Operating Expenses			
Compensation of Employees	12	5,000,000.00	0.00
Use of goods and Services	13	2,246,855,350.90	0.00
Subsidies	14	0.00	0.00
Transfers to Other Government Units	15	638,200,000.00	0.00
Other Grants and Transfers	16	699,999,999.55	0.00
Social Security Benefits	17	0.00	0.00
Finance Costs, including Loan Interest	19	0.00	0.00
Other payments	21	0.00	0.00
Adjusted for :			
Adjustments during the year		3,185,672,587.15	0.00
Net Cash From Operating Activities	A	6,984,117,236.70	0.00
Cash Flow From Investing Activities			
Proceeds from Sales of Assets	8	0.00	0.00
Acquisition of Assets	18	19,435,855.00	0.00
Net Cash Flow From Investing Activities	B	(19,435,855.00)	0.00
Cash Flow From Borrowing Activities			
Proceeds from Domestic Borrowings	6	0.00	0.00
Proceeds from Foreign Borrowings	7	0.00	0.00
Repayment of Principal on Domestic and Foreign Borrowing	20	0.00	0.00
Net Cash Flow From Financing Activities	C	0.00	0.00
NET INCREASE IN CASH AND CASH EQUIVALENT	A+B+C	6,964,681,381.70	0.00
Cash and Cash Equivalent at BEGINNING of The Year		0.00	0.00
Cash and Cash Equivalent at END of The Year	22A+22B	6,964,681,381.70	0.00

The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____

Date: _____

Reviewed By: _____

Date: _____

Approved By: _____

Date: _____



NOTES TO THE FINANCIAL STATEMENTS

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To JUN-16

1 Tax Receipts

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Taxes on Income, Profits and Capital Gains	1110000	0.00	0.00
Taxes on Payroll and Workforce	1120000	0.00	0.00
Taxes on Property	1130000	0.00	0.00
Taxes on Goods and Services	1140000	0.00	0.00
Taxes on International Trade and Transactions	1150000	0.00	0.00
Other Taxes (not elsewhere classified)	1160000	0.00	0.00
TOTAL		0.00	0.00

2 Social Security Contribution

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Health Insurance Contribution	1210100	0.00	0.00
NHIF Health Insurance Contributions	1210200	0.00	0.00
Contributions from Govt. Employees for Social & Welfare Schemes	1210300	0.00	0.00
TOTAL		0.00	0.00

3 Proceeds from Domestic and Foreign Grants

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Grants from Foreign Governments	1310000	0.00	0.00
Grants from International Organisations	1320000	0.00	0.00
TOTAL		0.00	0.00

4 Exchequer releases

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Exchequer Releases/ Provisioning Account	9910201	7,388,500,000.00	0.00
TOTAL		7,388,500,000.00	0.00

5 Transfers from Other Government Entities

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Grants received by Central Govt from General Govt units	1330100	0.00	0.00
Grants Received from General Govt units by Local Authorities	1330200	0.00	0.00
Grants to Fund Accounts from Central Govt Budget	1330300	0.00	0.00
Grants to other General Govt units from General Govt units	1330400	0.00	0.00
TOTAL		0.00	0.00

6 Proceeds from Domestic Borrowings

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Borrowing within General Government	5110100	0.00	0.00
Borrowing from Monetary Authorities (Central Bank)	5110200	0.00	0.00
Other Domestic Depository Corporations (Commercial Banks)	5110300	0.00	0.00
Borrowing from Other Domestic Financial Institutions	5110400	0.00	0.00
Borrowing from Other Domestic Creditors	5110500	0.00	0.00
TOTAL		0.00	0.00

7 Proceeds from Foreign Borrowings

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Foreign Borrowings - Drawdowns through Exchequer	5120100	0.00	0.00
Foreign Borrowing-Direct Payments	5120200	0.00	0.00
Foreign Currency and Foreign Deposits	5120300	0.00	0.00
Other Foreign Accounts Payable	5120400	0.00	0.00
TOTAL		0.00	0.00

8 Proceeds from Sales of Assets

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Receipts from the Sale of Buildings - Paid to Exchequer	3510100	0.00	0.00
Receipts from the Sale of Buildings	3510200	0.00	0.00
Receipts from sale of other st	3510300	0.00	0.00
Receipts from sale of other st	3510400	0.00	0.00
Receipts from the Sale of Vehicles and Transport Equipment - Paid to Exchequer	3510500	0.00	0.00
Receipts from the Sale of Vehicles and Transport Equipment	3510600	0.00	0.00
Receipts from the Sale of Plant Machinery and Equipment - Paid to Exchequer	3510700	0.00	0.00
Receipts from the Sale Plant Machinery and Equipment	3510800	0.00	0.00
Receipts from Sale of Certified Seeds and Breeding Stock - Paid to Exchequer	3510900	0.00	0.00
Receipts from Sale of Certified Seeds and Breeding Stock	3511000	0.00	0.00
Receipts from the Sale of Strategic Reserves Stocks	3520100	0.00	0.00
Receipts from the Sale of Other Inventories, Stocks, and Commodities	3520200	0.00	0.00
Receipts from the Sale of Inventories, Stocks and Commodities	3520300	0.00	0.00
Receipts from the Sale of Land	3540100	0.00	0.00
Receipts from the Sale of Other Naturally Occurring Non-Produced Assets	3540200	0.00	0.00
Receipts from the Sale of Intangible Non-Produced Assets	3540300	0.00	0.00
Receipts from the Sale of Non-Produced Assets Collected as AIA	3540400	0.00	0.00
Repayments from Loans to Government Agencies and Other Levels of Government	4510100	0.00	0.00
Loans to Non-Financial Public Enterprises	4510200	0.00	0.00
Loans to Financial Institutions	4510300	0.00	0.00
Repayments from Domestic Loans to Individuals and Households	4510400	0.00	0.00
Repayments from lending to Foreign Govts.	4520100	0.00	0.00
Repayments from lending to International Orgns.	4520200	0.00	0.00
Repayments from lending to Foreign Non - Financial Enterps. & Financial Instns.	4520300	0.00	0.00
Repayments from Other Foreign Lending	4520400	0.00	0.00
Sales and Disposals of Equity Holdings in Domestic Public Non - Financial Enterprises	4530100	0.00	0.00
Sales and Disposals of Equity Holdings in Domestic Public Financial Institutions	4530200	0.00	0.00
Sales and Disposals of Other Equity Holdings	4530300	0.00	0.00
Sales and Disposals of Equity Holdings in Foreign Financial Instns. and Domestic Financial Instns. operating abroad	4530400	0.00	0.00
Sales and Disposals of Equity Holdings in Foreign Enterps. Financial Instns. and Domestic Financial Instns. operating abroad	4530500	0.00	0.00
Redemption/ Disposal of Other Financial Assets	4530600	0.00	0.00
Refund of Bonds paid as Deposits for Guarantees	4530700	0.00	0.00
TOTAL		0.00	0.00

9 Reimbursements and Refunds

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Refund from World Food Programme (WFP)	4540101	0.00	0.00
Reimbursement of Audit Fees	4540102	0.00	0.00
Reimbursement on Messing Charges (UNICEF)	4540103	0.00	0.00
Reimbursement from World Bank - ECD	4540104	0.00	0.00
Reimbursement from Individuals and Private Organizations	4540105	0.00	0.00

Item Description	Item Code	Current Period	Previous Period
Reimbursement from Local Government Authorities	4540106	0.00	0.00
Reimbursement from Statutory Organizations	4540107	0.00	0.00
Reimbursement within Central Government	4540108	0.00	0.00
Reimbursement Using Bonds	4540109	0.00	0.00
Reimbursements and Refunds - Other (Budget)	4540199	0.00	0.00
TOTAL		0.00	0.00

10 Returns of Equity Holdings

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Returns of Equity Holdings	4550000	0.00	0.00
Returns of Equity Holdings	4610000	0.00	0.00
TOTAL		0.00	0.00

11 Other Receipts

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Interest Received	1410100	0.00	0.00
Profits and Dividends	1410200	0.00	0.00
Withdrawals from Income of Quasi-corporations	1410300	0.00	0.00
Rents on land, houses and buildings	1410400	0.00	0.00
Other Property Income collected as AIA	1410500	0.00	0.00
Sales of Market Establishment	1420100	0.00	0.00
Administrative Fees and Charges	1420200	0.00	0.00
Administrative Fees and Charges collected as AIA	1420300	0.00	0.00
Incidental Sales by Non-Market Establishments	1420400	0.00	0.00
Incidental Sales by Non-Market Establishments Collected as AIA	1420500	0.00	0.00
Receipts from Sale of Incidental Goods	1420600	0.00	0.00
Fines, Penalties, Forfeitures and other Charges	1430100	0.00	0.00
Current Grants from International NGOs paid through Exchequer	1440100	0.00	0.00
Capital Grants from International NGOs paid through Exchequer	1440200	0.00	0.00
Current Grants from International NGOs collected as AIA	1440300	0.00	0.00
Capital Grants from International NGOs collected as AIA	1440400	0.00	0.00
Other Voluntary Transfers for Current purposes	1440500	0.00	0.00
Other Voluntary Transfers for Capital purposes	1440600	0.00	0.00
Paid to Exchequer	1450100	0.00	0.00
Receipts Not Classified Elsewhere	1450200	0.00	0.00
	1510200	0.00	0.00
	1510300	0.00	0.00
	1520100	0.00	0.00
Business Permits	1520200	0.00	0.00
Cesses	1520300	0.00	0.00
Poll Rates	1520400	0.00	0.00
Plot Rents	1520500	0.00	0.00
Other Local Levies	1520600	0.00	0.00
Administrative Services Fees	1530100	0.00	0.00
Various Fees	1530200	0.00	0.00
Council'S Natural Resources Exploitation	1530300	0.00	0.00
Sales Of Council Assets	1530400	0.00	0.00
Lease / Rental Of Council'S Infrastructure Assets	1530500	0.00	0.00
Other Miscellaneous Revenues	1530600	0.00	0.00
Other Miscellaneous Revenues	1540100	0.00	0.00
Insurance Claims Recovery	1540200	0.00	0.00
Medium Term Loans (1-3 Yr Repayment)	1540300	0.00	0.00
Long Term Loans (Over 3 Yr Rpayment)	1540400	0.00	0.00
Transfers From Reserve Funds	1540500	0.00	0.00
Donations	1540600	0.00	0.00
Fund Raising Events	1540700	0.00	0.00
Other Revenues From Financial Assets Loan	1540800	0.00	0.00
	1541000	0.00	0.00
Market/Trade Centre Fee	1550100	0.00	0.00
Vehicle Parking Fees	1550200	0.00	0.00
Housing	1560100	0.00	0.00
Social Premises Use Charges	1560200	0.00	0.00
School Fees	1570100	0.00	0.00
Other Education-Related Fees	1570200	0.00	0.00
Other Education Revenues	1570300	0.00	0.00
Public Health Services	1580100	0.00	0.00
Public Health Facilities Operations	1580200	0.00	0.00

Item Description	Item Code	Current Period	Previous Period
Environment & Conservancy Administration	1580300	0.00	0.00
Slaughter Houses Administration	1580400	0.00	0.00
Water Supply Administration	1580500	0.00	0.00
Sewerage Administration	1580600	0.00	0.00
Other Health & Sanitation Revenues	1580700	0.00	0.00
Technical Services Fees	1590100	0.00	0.00
External Services Fees	1590200	0.00	0.00
	1930100	0.00	0.00
System Required Revenue A/cs	1990100	0.00	0.00
TOTAL		0.00	0.00

12 Compensation of Employees

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Basic Salaries - Permanent Employees	2110100	0.00	0.00
Basic Wages - Temporary Employees	2110200	0.00	0.00
Personal Allowances paid as part of Salary	2110300	5,000,000.00	0.00
Personal Allowances paid as Reimbursements	2110400	0.00	0.00
Personal Allowances provided in Kind	2110500	0.00	0.00
Employer Contributions to Compulsory National Social Security Schemes	2120100	0.00	0.00
Employer Contributions to Compulsory Health Insurance Schemes	2120200	0.00	0.00
USE OF GOODS AND SERVICES	2120300	0.00	0.00
TOTAL		5,000,000.00	0.00

13 Use of goods and Services

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Utilities, Supplies and Services	2210100	0.00	0.00
Communication, Supplies and Services	2210200	7,057,475.00	0.00
Domestic Travel and Subsistence, and Other Transportation Costs	2210300	14,510,933.00	0.00
Foreign Travel and Subsistence, and other transportation costs	2210400	9,216,480.00	0.00
Printing, Advertising and Information Supplies and Services	2210500	2,486,736.00	0.00
Rentals of Produced Assets	2210600	0.00	0.00
Training Expenses	2210700	12,322,219.35	0.00
Hospitality Supplies and Services	2210800	10,863,749.85	0.00
Insurance Costs	2210900	0.00	0.00
Specialised Materials and Supplies	2211000	4,085,100.00	0.00
Office and General Supplies and Services	2211100	12,805,608.00	0.00
Fuel Oil and Lubricants	2211200	4,017,799.95	0.00
Other Operating Expenses	2211300	2,164,451,652.05	0.00
Routine Maintenance - Vehicles	2220100	2,282,063.10	0.00
Routine Maintenance - Other Assets	2220200	2,755,534.60	0.00
Exchange Rate Losses	2230100	0.00	0.00
TOTAL		2,246,855,350.90	0.00

14 Subsidies

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Subsidies to Public Corporations	2510000	0.00	0.00
Subsidies to Private Enterprises	2520000	0.00	0.00
TOTAL		0.00	0.00

15 Transfers to Other Government Units

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Current Grants to Government Agencies and other Levels of Government	2630100	138,200,000.00	0.00
Capital Grants to Government Agencies and other Levels of Government	2630200	500,000,000.00	0.00
Other Current Transfers, Grants and Subsidies	2640400	0.00	0.00
Other Capital Grants and Transfers	2640500	0.00	0.00
Exchequer Provisions	9910200	0.00	0.00
County Transfers	9910300	0.00	0.00
TOTAL		638,200,000.00	0.00

16 Other Grants and Transfers

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Grants and Transfers to Foreign Governments	2610100	0.00	0.00
Membership Fees and Dues and Subscriptions to International Organizations	2620100	0.00	0.00
Membership Fees and Dues and Subscriptions to International Organizations (Continued)	2620200	0.00	0.00
Scholarships and other Educational Benefits	2640100	0.00	0.00
Emergency Relief and Refugee Assistance	2640200	0.00	0.00
Grants to Small Businesses, Cooperatives, and Self Employed	2640300	699,999,999.55	0.00
	2649900	0.00	0.00
TOTAL		699,999,999.55	0.00

17 Social Security Benefits

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Government Pension and Retirement Benefits	2710100	0.00	0.00
Social Security Benefits	2710200	0.00	0.00
Employer Social Benefits	2710300	0.00	0.00
Refund of Pension to UK Government	2720100	0.00	0.00
	2720200	0.00	0.00
TOTAL		0.00	0.00

18 Acquisition of Assets

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Purchase of Buildings	3110100	0.00	0.00
Construction of Building	3110200	0.00	0.00
Refurbishment of Buildings	3110300	0.00	0.00
Construction of Roads	3110400	0.00	0.00
Construction and Civil Works	3110500	0.00	0.00
Overhaul and Refurbishment of Construction and Civil Works	3110600	0.00	0.00
Purchase of Vehicles and Other Transport Equipment	3110700	12,362,400.00	0.00
Overhaul of Vehicles and Other Transport Equipment	3110800	391,220.00	0.00
Purchase of Household Furniture and Institutional Equipment	3110900	0.00	0.00
Purchase of Office Furniture and General Equipment	3111000	3,289,335.00	0.00
Purchase of Specialised Plant, Equipment and Machinery	3111100	0.00	0.00
Rehabilitation and Renovation of Plant, Machinery and Equipment	3111200	0.00	0.00
Purchase of Certified Seeds, Breeding Stock and Live Animals	3111300	0.00	0.00
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	3111400	3,392,900.00	0.00
Rehabilitation of Civil Works	3111500	0.00	0.00
Purchase of Specialised Plant	3112200	0.00	0.00
Acquisition of Strategic Stocks	3120100	0.00	0.00
Acquisition of Other Inventori	3120200	0.00	0.00
Acquisition of Land	3130100	0.00	0.00
Acquisition of Other Intangible Assets	3130200	0.00	0.00
Domestic Lending and On-lending	4110000	0.00	0.00
Domestic Equity Participation	4120000	0.00	0.00
Other Domestic Accounts Receivable	4130000	0.00	0.00
Foreign Lending and On- Lending	4140000	0.00	0.00
Foreign Equity Participation	4150000	0.00	0.00
Other Foreign Accounts Receivable	4160000	0.00	0.00
TOTAL		19,435,855.00	0.00

19 Finance Costs, including Loan Interest

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Interest Payments on Foreign Borrowing	2410100	0.00	0.00
Interest Payments on Guaranteed Debt	2410200	0.00	0.00
Interest on Domestic Borrowing	2420000	0.00	0.00
Interest on Borrowing From Other Government Units	2430000	0.00	0.00
TOTAL		0.00	0.00

20 Repayment of Principal on Domestic and Foreign Borrowing

Item Description	Item Code	Current Period		Previous Period	
			Kshs		Kshs
Repayments on Borrowings from Domestic	5510000		0.00		0.00
Repayments on Borrowings from General Government	5510100		0.00		0.00
Repayments on Borrowings from Monetary Authorities (Central Bank)	5510200		0.00		0.00
Repayments on Borrowings from Other Domestic Depository Corporations (Commercial Banks)	5510300		0.00		0.00
Repayments on Borrowings from Other Domestic Financial Institutions	5510400		0.00		0.00
Repayments on Borrowings from Other Domestic Creditors	5510500		0.00		0.00
Principal Repayments on Foreign Borrowing	5510600		0.00		0.00
Principal Repayments on Guaranteed Debt Taken over by Government	5520000		0.00		0.00
Principal Repayments on Guaranteed Domestic Debt Taken over by Government	5520100		0.00		0.00
Principal Repayments on Guaranteed Foreign Debt Taken over by Government	5520200		0.00		0.00
Repayments on Borrowings from Other Domestic Creditors	5610000		0.00		0.00
Repayments on Borrowings from Other Domestic Creditors - Private Enterprises	5610500		0.00		0.00
	5620000		0.00		0.00
Repayments on Borrowings from Other Domestic Creditors - Public Enterprises	5620100		0.00		0.00
TOTAL			0.00		0.00

21 Other payments

Item Description	Item Code	Current Period		Previous Period	
			Kshs		Kshs
Budget Reserves	2810100		0.00		0.00
Civil Contingency Reserves	2810200		0.00		0.00
Capital Transfer to Non Financial Public Enterprises	2820100		0.00		0.00
Capital Transfer to Public Financial Institutions and Enterprises	2820200		0.00		0.00
Capital Transfer to Private Non-Financial Enterprises	2820300		0.00		0.00
System Required Expenses	2990100		0.00		0.00
	2999900		0.00		0.00
TOTAL			0.00		0.00

22A Bank Balances

Item Description	Item Code	Current Period		Previous Period	
			Kshs		Kshs
Special Accounts	6510000		0.00		0.00
Treasury Bank Accounts (Exchequer and CRF Accounts)	6520000		0.00		0.00
Recurrent Bank Accounts	6530000		(448,212,726.05)		0.00
Development Bank Accounts	6540000		0.00		0.00
Deposit Bank Account	6550000		(15,000,000.00)		0.00
Project Specific Bank Accounts	6570000		0.00		0.00
Foreign Currency and Foreign D	6590101		0.00		0.00
TOTAL			(463,212,726.05)		0.00

22B Cash Balances

Item Description	Item Code	Current Period		Previous Period	
			Kshs		Kshs
Cash in Hand	6580000		7,427,894,107.75		0.00
Foreign Currency and Foreign D	6590201		0.00		0.00
TOTAL			7,427,894,107.75		0.00

23 Accounts Receivables - Outstanding Imprest and Clearance Accounts

Item Description	Item Code	Current Period		Previous Period	
			Kshs		Kshs
Domestic Debtors & Advances	6710000		0.00		0.00
Debtors & Advances - Govt Owne	6720000		0.00		0.00
Foreign Debtors & Advances	6730000		0.00		0.00
Other Debtors & Pre-payments	6740000		(1,387,113.40)		0.00
Government Imprests	6760000		2,211,778.00		0.00
Agency Accounts	6770000		0.00		0.00

Item Description	Item Code	Current Period	Previous Period
Suspense & Clearance Account	6780000	27,665,877.20	0.00
Other Current Assets (System r	6790000	0.00	0.00
TOTAL		28,490,541.80	0.00

24. ACCOUNTS PAYABLE

Item Description	Item code	Current Period	Previous Period
		Kshs	Kshs
Deposits	7310000	18,250,675.00	0.00
Other Liabilities	7320000	0.00	0.00
Withholding Taxes	7380000	(2,380.05)	0.00
System Required Liabilities A/cs	7390000	3,195,914,834.00	0.00
TOTAL		3,214,163,128.95	0.00

25. FUND BALANCES BROUGHT FORWARD

Item Description	Item Code	Current Period	Previous Period
		Kshs	Kshs
Opening Balance Bank	22A	0.00	0.00
Opening Balance Cash	22B	0.00	0.00
Opening Balance Receivables - Imprest and Clearance Accounts	23	0.00	0.00
Opening Balance - Deposits	24	0.00	0.00
TOTAL		0.00	0.00



SUMMARY STATEMENT OF DEPOSITS

Entity: 1173-State Department for Cooperatives

Current Period: JUL-16 To JUN-17

Compare With: JUL-15 To JUN-16

Economic Item	6550101 - Ministry HQ Deposit Bank A/C	
	Current Period	Previous Period
Opening Balance	0.00	0.00
Transfers of retentions during the year	0.00	0.00
Payments made out of deposit account during the year	15,000,000.00	0.00
Closing Balance	(15,000,000.00)	0.00

Principal Secretary Controller	Principal Accounts
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The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____

Date: _____

Reviewed By: _____

Date: _____

Approved By: _____

Date: _____



Budget Execution by Programme and Economic Classification

Entity: 1173-State Department for Cooperatives

Period: JUL-16 To JUN-17

Program	Item	Description	Approved Budget	Actual Payments	Variance
000000000		Default - Non Programmatic	0.00	0.00	0.00
	2990000	System Required Expense A/cs	0.00	0.00	0.00
030400000		Cooperative Development and Management	3,689,241,635.00	3,609,491,205.45	79,750,429.55
	2110000	Wages and Salary Contributions	5,000,000.00	5,000,000.00	0.00
	2210000	Goods and Services	2,318,890,267.00	2,241,817,753.20	77,072,513.80
	2220000	Routine Maintenance	7,248,325.00	5,037,597.70	2,210,727.30
	2630000	Grants & Transfer To Other Govt. Units	638,200,000.00	638,200,000.00	0.00
	2640000	Other Transfers and Emergency Relief	700,000,000.00	699,999,999.55	0.45
	3110000	Acquisition of Fixed Capital Assets	19,903,043.00	19,435,855.00	467,188.00
		Grand Total	3,689,241,635.00	3,609,491,205.45	79,750,429.55

The Statement has been prepared, reviewed and approved by the following:

Prepared By: _____

Date: _____

Reviewed By: _____

Date: _____

Approved By: _____

Date: _____



Budget Execution by Heads and Programmes

Entity: 1173-State Department for Cooperatives

Period: JUL-16 To JUN-17

Head	Program	Description	Approved Budget	Actual Payments	Variance
0000000000		Default Value (Non-Departmental)	0.00	0.00	0.00
	0000000000	Default - Non Programmatic	0.00	0.00	0.00
1173000100		Cooperative - Ethics and Governance	11,882,711.00	10,882,464.70	1,000,246.30
	0304000000	Cooperative Development and Management	11,882,711.00	10,882,464.70	1,000,246.30
1173000200		Planning and Feasibility Studies	26,934,711.00	23,294,076.35	3,640,634.65
	0304000000	Cooperative Development and Management	26,934,711.00	23,294,076.35	3,640,634.65
1173000300		Cooperative Registration Services	11,294,741.00	9,871,179.45	1,423,561.55
	0304000000	Cooperative Development and Management	11,294,741.00	9,871,179.45	1,423,561.55
1173000400		Cooperative Marketing	6,148,243.00	5,323,598.65	824,644.35
	0304000000	Cooperative Development and Management	6,148,243.00	5,323,598.65	824,644.35
1173000500		Office of the Commissioner	2,571,869,532.00	2,570,189,774.25	1,679,757.75
	0304000000	Cooperative Development and Management	2,571,869,532.00	2,570,189,774.25	1,679,757.75
1173000600		Headquarters Cooperative Audit Services	9,397,611.00	8,864,254.40	533,356.60
	0304000000	Cooperative Development and Management	9,397,611.00	8,864,254.40	533,356.60
1173000700		New Kenya Cooperative Creameries	500,000,000.00	442,604,920.05	57,395,079.95
	0304000000	Cooperative Development and Management	500,000,000.00	442,604,920.05	57,395,079.95
1173000800		Finance and Procurement Services	17,720,328.00	15,353,477.60	2,366,850.40
	0304000000	Cooperative Development and Management	17,720,328.00	15,353,477.60	2,366,850.40
1173000900		Central Planning Unit	3,993,758.00	3,393,260.00	600,498.00
	0304000000	Cooperative Development and Management	3,993,758.00	3,393,260.00	600,498.00
1173100100		Acquisition of equipment and machinery New KCC .	470,000,000.00	470,000,000.00	0.00
	0304000000	Cooperative Development and Management	470,000,000.00	470,000,000.00	0.00
1173100200		Cooperatives Development	30,000,000.00	19,714,200.00	10,285,800.00
	0304000000	Cooperative Development and Management	30,000,000.00	19,714,200.00	10,285,800.00
1173100300		Development of SASRA Risk Supervision System	30,000,000.00	30,000,000.00	0.00
	0304000000	Cooperative Development and Management	30,000,000.00	30,000,000.00	0.00
		Grand Total	3,689,241,635.00	3,609,491,205.45	79,750,429.55

The Statement has been prepared, reviewed and approved by the following

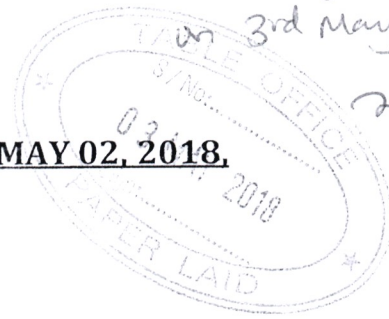
Prepared By: _____ Date: _____
Reviewed By: _____ Date: _____
Approved By: _____ Date: _____



Paper Laid
Leader of Majority
3rd May, 2018



THE PRESIDENT'S ADDRESS ON MAY 02, 2018.



Hon. Speakers,

Hon. Members of Parliament,

1. Today, it is a profound honour for me to deliver the first State of the Nation Address of my second term in office.
2. However, **Mr. Speaker**, before I proceed any further, let me pay tribute to the late **Kenneth Matiba**, whose patriotism inspired greatly the constitution under whose authority we meet today.
3. Let us all resolve to emulate the example he set, his desire for a strong, prosperous and inclusive Kenya. I ask all of you to rise to honour his memory with a minute of silence. **[Moment of silence]**

Mr. Speaker,

4. It is right and fitting to look back on the achievements of the **Eleventh Parliament** before setting out our plans for this Parliament.
5. The **11th Parliament** was charged with the task of implementing our new constitution; making enabling laws to create institutions, which the new constitutional order called for.

Mr. Speaker,

6. There is no doubt walking this part of the journey has not been what is encouraging is that we have made significant progress in implementing the new constitution: the laws were passed, the counties were established, the new constitutional order is in place.
7. I thank your predecessors for discharging their duty so we

Now, **Mr. Speaker**, let me congratulate your members, both the newly elected and the returning ones, for winning the trust of the Kenyan people. **Hon. Members**, you and I owe our presence here today to Kenyans who chose us to represent them.

The trust they have bestowed on us is sacred. But we must always remember that, as leaders, we do not serve only those who voted for us; we serve all Kenyans as required by our constitution.

Mr. Speaker,

Hon. Members,

The Constitution that brings us here for this address is a guide, an instruction and a tool to help us craft a Kenya **freer, fairer, wealthier and more united**. Let us consider whether we have preserved, protected, and honoured it. Indeed, we have.

Our constitutional order is stable, secure, and growing in strength. Devolution is no longer a baby; it is now an established framework for governing and delivering public services.

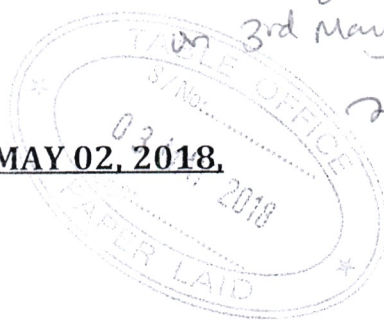
Five years of establishing the county governments have taught Kenyans what they want of devolution, and how to get it. Overall, the Government is becoming more responsive to the needs of Kenyans, as we all hoped it would when it passed the new law.

There is no doubt there have been some challenges in the use of public resources. Some individuals fraudulently and corruptly diverting public resources to themselves.

Preventive tools and ways for citizens to become more

We emphasize, despite these challenges, has been the success of the Commission of Devolution. We are far above the target of 5% of the national budget to the counties provided for by the Constitution. We have allocated **Ksh. 210 billion** in the **2013/14** financial year,

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Mr. Speaker,

13. There is no doubt there have been some challenges in the use of public resources, with some individuals fraudulently and corruptly diverting public resources to benefit themselves.

14. But, we are building preventive tools and ways for citizens to become more involved in reporting graft.

15. My Administration, I must emphasize, despite these challenges, has remained committed to the implementation of Devolution. We are far above the 15% threshold for resource allocations to the counties provided for by the Constitution. From an allocation of **Ksh. 210 billion** in the **2013/14** financial year,

we now stand at **Ksh. 327 billion** for the financial year **2017/18**: an increase of **56%** in five years.

16. I also recently signed the **Division of Revenue Bill, 2018**, which sets aside **Ksh. 372 billion** for counties in the coming financial year **2018/19**. The national government complemented county service delivery in the reporting year by injecting **Ksh. 9.6 billion** for the **Managed Equipment Services**, **Ksh. 5.2 billion** for free maternity, and **Ksh. 900 million** for user fees.

17. Moreover, **two (2) billion shillings** was disbursed to **11 counties** from the **Equalisation Fund** to improve services.

18. In addition, and in the spirit of upholding Devolution, my Administration further decentralized service delivery by initiating the “**Huduma Mashinani Programme**”. This programme brought vital services – from registration services such as identity cards to the **NSSF** and **NHIF Services** – closer to the people.

19. Kenyans believe in devolution, and my Administration has matched that belief with strong and tangible support for it.

Mr. Speaker,

Hon. Members,

20. I now turn to the urgent matter of how we live our constitutional values as a people, before I report on their expression in governance. **Kenya** is a country of God-fearing and generous people. In our moments of need, we are kept going by the compassion and empathy of our countrymen.

21. In our dealings, most of us are honest to a fault, and intolerant of the fraudulent. In our private lives, we live together, whatever corner of the country we call home, whatever language we speak, and whatever faith we subscribe to. In other words, the Kenyan people are ahead of you, their leaders.

22. That must change. Leaders at every level of government must demonstrate a desire and commitment to serve; and in particular we must maintain highest

degree of integrity. Those days when you could enjoy public goods without fear that action may not be taken against you, are gone. To demonstrate this point, last year, ill-gotten public assets valued at about **Ksh. 500 million** were recovered; and civil proceedings were instituted for the preservation and recovery of other assets valued at more **than Ksh. 6 billion**.

23. To deepen good governance, we have continued to digitize key services to seal loopholes used for fraud. And I expect the new officials now in office in **prosecution** and **investigations** to bring cases against the most powerful and privileged, to show Kenyans that none of us are above the law.

24. I urge the Judiciary to do its part to ensure that orders are not frivolously used by the wealthy and corrupt individuals to avoid justice; I urge you, Hon. Members, to give us the legal tools we need to win the war against the lords of graft.

25. Having made all these efforts, I want to repeat what every Kenyan in their heart of hearts knows: we must all come together to fight this vice, if we are to conquer it. The Government and the private sector also, must report fraud and protect whistleblowers without the slightest hesitation.

26. Kenyans, on their part, must report any crimes they may come across. Families must feel ashamed by one of their member becoming involved in corruption; they must insist on the upholding of their name as a family.

27. Teachers and parents must explicitly teach children the value of honesty and the concept of honour. It is only by coming together as a people that the values in our constitution will take life in the governance of Kenya. And that is how we will manage to position Kenya to join the league of prosperous nations.

Hon. Members,

28. These constitutional advances must, of course, be paid for, so it is natural to turn our attention to the **economy**.

29. Where goals are concerned, Hon. Members, we are all in broad agreement: Kenyans want to see lower cost of living; they want jobs for their sons and

daughters; and affordable food on their table. Kenyans want to see broad prosperity.

30. These goals are reasonable; some of them are constitutional requirements in their own right. Let us consider whether we have lived up to them.

31. None of us in this **August House** today will have forgotten that last year was election year, or that the region was affected by severe drought.

Hon. Members,

32. It is encouraging to note that, despite these challenges, our economy remained resilient. Our real Gross Domestic Product (GDP) grew by **4.9 percent** in **2017**, much higher than **3.6 percent** for World Real GDP and **2.6 percent** for sub-Saharan Africa real GDP.

33. Even more encouraging was the performance of our tourism sector; tourism earnings grew **twenty per cent** — proof that even when our politics is at its hottest, Kenya keeps its visitors' confidence.

Hon. Members,

34. We remain on course to meet the tests that Kenyans set for us, but we must admit that we still have a long way to go. Deeper reflection is, therefore, called for.

35. If we are to create the jobs for which Kenyans long, we need investment. When I took office in **2013**, my Administration promised and delivered the most aggressive surge of infrastructure development in Kenya's history.

36. We knew that without radical renewal and improvement of our infrastructure and connectivity, we could not hope to attract the investment we needed to create jobs and prosperity, and to beat poverty.

37. Many of you will recall the success of that first phase of development: we started to build the SGR after the **11th Parliament** was sworn in, and by the time members returned home to ask voters to renew their mandate, we had brought the SGR to **Nairobi**.

38. As I speak to you today, less than a year since that first train left **Mombasa** for **Nairobi**, nearly **700,000** passengers have taken the *Madaraka Express*. On the

cargo side, I am pleased to state that as promised, the SGR cargo services were up and running on the **1st of January, 2018** with an initial monthly load of **22,345** metric tonnes rising to an impressive **213,559 metric tonnes** per month as of the end of **April, 2018**.¹

39. But that is not all. I have already launched the second phase of the SGR project, which runs from **Nairobi to Naivasha**; and negotiations are in progress for the financing of the **Naivasha- Malaba** line. In short, **Hon. Members**, I can report that last year we completed the most ambitious infrastructure development in Kenya's history.

Hon. Members,

40. It was not, of course, the only ambitious work in infrastructure that we undertook. **Hon. Members** will remember that we opened **Terminal 2A** at **Jomo Kenyatta International Airport** some time ago; we would almost certainly have earned less revenue from tourism this year had we not made that investment.

41. You might also recall the expansion of **Last-Mile Connectivity**, which has brought electricity to **71%** of households, up from **27%** in **2013**.

42. I am particularly proud of this success, for I know its transformative power: I have seen for myself that on the day a family first switches on a bulb, their entire lives change.

Hon Members,

43. When I assumed office as President, we promised to tarmac **10,000 kms** roads across the country; we are on target having completed **3,000 kms** to-date and with a further **5,000 kms** under construction. Among the many roads we have constructed, I want to mention one, that is, the **Isiolo - Moyale Road**, part of the Trans Africa Highway Corridor, running to our border with **Ethiopia**. This road is transforming the economy of this region, for the better of our people.

¹689,205 passengers, per *Economic Survey*, p 202.

44. Our people from that part of the country can now easily travel to their national capital, **Nairobi**, in a matter of hours, contrary to the past when they used to take days. They now feel they have reason to be proud to be Kenyans.

45. These investments in infrastructure laid the firmest of foundations for the broad and shared prosperity that Kenyans expect. This term, **Hon. Members**, we must deliver it.

46. I have already spoken about the “**Big Four**” **Agenda** in other forums but it deserves me talking about it to you, **Hon. Members**, not least because I will rely on you to pass the legislation upon which it depends; but, more importantly, to convince you to join me as agents of the desired change. I wish today to speak on the reasoning that informs this agenda.

47. If you **Hon. Members** leave the House today with a clearer idea of your role as leaders in this development programme, then I will be the happiest man.

Hon. Members,

48. I conceptualized about the “**Big Four**” from discussions I held with Kenyans about their problems and prospects, particularly as we went about seeking their support.

49. The priorities they would want us to focus on are clear. Kenyans want their families kept safe from catastrophic bills for **medical care**; they want **skilled jobs**, especially in **manufacturing**; they want to be food secure, and they want **dignified, affordable homes**. The “**Big Four**” **Agenda** serves each of these.

50. By providing affordable **universal healthcare**, we will, quite simply, save lives. Already, extensive work has been done to bring access to quality and affordable health services.

51. We have increased health facilities from **9,000** in **2013** to **11,000** in **2017**. The NHIF coverage widened from a membership of **3.8 million** in **2013** to **7.2 million** currently. We expanded NHIF coverage for expectant mothers and raised deliveries by skilled attendants from **44%** in **2013** to **66%** in **2017**.

52. Access to anti-retroviral drugs to expectant mothers has significantly increased: today, **94%** of **HIV-positive expectant mothers** attending antenatal clinics access the **ARVs**; **mother-to-child HIV transmission** has consequently fallen sharply.

53. As a result of our various health intervention programmes, including the mosquito net programme, incidences of malaria have dropped from **11%** to **8%**; infant mortality has fallen from **52 per 1,000** to **39 per 1,000** live births; **under five years** mortality came down from **74 per 1,000** to **52 per 1,000**. **Maternal mortality** dropped from **488 per 100,000** to **362 per 100,000**.

54. Despite the improvements we have recorded, there is no doubt we still have a way to go. We need to, in particular, take steps to improve immunization which has dropped from **90%** to **70%**. Hon. Members, I am happy to inform you the county governments are keen and willing to work with the national government towards putting together a programme to up our immunization to where we were, if not better.

55. We also addressed the medical needs of our older persons and persons with severe disability by extending NHIF coverage to **42,000** of them.

56. And while we are working to deliver food security, we are taking steps to help Kenyans impacted by a long drought that had hit the country. The **Hunger Safety Net Programme** is cushioning Kenyans against hunger. Through it, cash was transferred to vulnerable households in **arid** and **semi-arid** areas giving them the choice where and how to spend the stipend.

57. This method aids farmers and markets, while restoring the dignity of Kenyans who might once have been asked to line up in the hot sun to be given a few “**goro goros**” of pre-determined foods.

Hon. Members,

58. With respect to housing, it is worth noting that demand for decent homes far outstrips supply, particularly in the low-cost and affordable segment. A decent roof over one’s head is the most tangible symbol of a decent life, and it should be a critical part of a family’s wealth.

59. This new housing programme has been designed to incorporate the private sector so as to properly respond to the demand. **We** expect hundreds of thousands of affordable new homes to follow, across the country, **accompanied** by a surge in jobs and incomes.

Mr. Speaker,

60. **My** dream is one day, in the not-too-distant future, owning a decent home will be within reach of every Kenyan of median and modest incomes.

61. Families will retire in the evenings to clean, well organized and hygienic houses, and Kenya will go to sleep knowing that all its citizens have a sound roof over their heads. **This** dream is going to become a reality if we all join hands to eliminate the barriers to its realization, through legislation and new policies to incentivize the private sector.

Hon. Members,

62. Turning to **security**, I can say without fear, we are a safer and stronger nation than we were when I last spoke to this House.

63. **Our** alliances are strong, and growing stronger. **Kenya** has become indispensable to the international community's pursuit of stability and security, environmental protection, and of a global community able to respond to large-scale crises when they come.

64. **My** Administration continues to treat its responsibility to protect Kenyans and their property from crime, terrorism, and other forms of insecurity as its core obligation. **In** the year under review, the country beat back challenges to security.

65. **The** general election was more secure than most in the past. **Regrettably**, we had to respond, firmly, to deliberate disruptions of the process, to the destruction of property, and to isolated attempts to block voting. **In** every case, the disciplined services did their duty. **I** commend all our disciplined services for their dedication.

66. **Going** forward, I commit to strengthening their capacity to keep the peace, because without peace our desire for a better Kenya will remain a mere wish.

67. I have further empowered the National Administration Service, from the Regional Commissioner to the chief, to supervise security operations, to coordinate the work of national government in the counties, and to improve our engagement with the county governments as we serve Kenyans right across the country.

Hon Members,

68. The concerted and coordinated response by our disciplined service means that terrorists have less room to target our people.

69. There are fewer and less lethal attacks in Kenya today, even as terrorist groups elsewhere damage democracies. I commend the diligent men and women from multiple agencies who detect and prevent attacks: they have kept Kenya safe, and sometimes paid the highest price for our safety. **May God comfort the families of the men and women we have lost, not just in the fight against terrorism, but in every effort to defend Kenya's sovereignty and security.**

70. **We** however, cannot rest; the threat is ever present and all Kenyans must constantly be on the alert.

71. At this moment, I also recall with great sadness, the tragic loss of **Principal Secretary, Mariamu el Maawy**, to the consequences of a terrorist attack. I pray that her family, friends, and colleagues may be comforted; and I pray, too, that this nation never forgets the selfless public service she gave it.

72. For all that, I repeat here what I have said elsewhere: ultimately, security will be found and sustained largely by transforming our politics, and in revitalizing the spirit of patriotism and of responsible citizenship.

73. For even though our democracy has become more competitive, and Kenyans have grown freer in the multiparty era, that liberty has come with a price. All of us have endured an almost permanent state of political campaigning, which has divided Kenyans, sometimes tragically, as in **2008**.

74. That **disunity** is a direct threat not just to our freedom, **and** not just to our prosperity, but also to our nation.

75. Beyond terrorism, we remain vulnerable to other security threats; many of them, from terrorism to trafficking, across borders. **So** we cannot be self-absorbed:

we must be our neighbour's keeper no less than our brother's. The same principles that guide us at home govern relations with our neighbours.

76. We defend democracy abroad as we do at home; we want for others the peace that we enjoy here; we are grateful for the solidarity extended us by our brothers and sisters on the continent, so we offer it to others in return. Last year's events showed the soundness of these principles.

77. The region is not at peace. **Somalia** remains troubled, largely by foreign agents who weaken its government, who divide its peoples, and who threaten to reverse the gains we have so painfully won under **AMISOM**.

78. Through it all, we remember that if our brothers and sisters in **Somalia** prosper, we prosper; if they are safe, so are we. It has been our policy, then, to help them regain the peace and prosperity they once knew.

79. We worked, and continue to work, to secure foreign funding and support commensurate to Somalia's challenges; we helped, and will continue to help, the people of **Somalia** build a strong and stable government.

80. Indeed, that is why, only a few days after I spoke to this House last year, it was my pleasure to welcome **President Mohamed Abdullahi Mohamed** to State House in **March, 2017**, when we laid plans for a renewal of relations between our two nations. An early outcome of our agreements that day was the resumption of flights between **Nairobi and Mogadishu**; members may be sure that more will follow.

81. I cannot resist mentioning a visit to **Somalia** in the first quarter of last year, during which I spoke to our soldiers deployed in **Somalia**. Their courage and their devotion to their mission were extraordinarily inspiring. I ask you, Hon. Members, to keep them in your prayers and in your deliberations; and to devote yourself as wholeheartedly as they have to our region's peace and the security.

Mr. Speaker,

82. If Somalia remains unsettled, let us admit that **South Sudan** nation remains in crisis.

83. Thousands have died while hundreds of thousands more have been displaced. In the year since I last spoke to the House, we have hosted hundreds of thousands of **South Sudanese refugees**; and we have joined friends and partners to help those still suffering inside the country. Equally, we have lent our support to the multilateral peace process, and we continue to urge the leaders of South Sudan to put the interests of their people and motherland above their own. As we have in the past year, Kenya stands with the people of **South Sudan** in their search for lasting peace.

84. Elsewhere in the region, there is better news to report. In the **East African Community**, we grow closer by the day. Last year, I opened our borders to our brothers and sisters from the region: they can now live and work in Kenya more easily than they ever have, and they can now partner with us in the task of building a free, united and prosperous African nation.

85. That openness to our brothers and sisters is proof of our commitment to the unity not just of the region, but also of the continent.

86. For years, all sorts of barriers, legal and customary, have delayed Africa's progress and prosperity. In the **African Continental Free Trade Agreement**, we have, at last, a real chance of opening up the continent's trade, once and for all. If we succeed, then trade, goods and services will flow across **Africa**, not outside it, bringing jobs, skills, and unity. That we are so close to a final agreement shows the vision of our generation of African leaders, among whom we must count you, **Hon. Members** of this House, for ratifying the agreement without delay.

87. I can only hope that every African nation will show the same foresight that you, our Hon. Members, displayed. *Asanteni*.

88. It remains to remind members that in the last year, Kenya has earned her designation as a **United Nations Service Centre**. I single out for your attention two consequences: **first** and simply, it means **jobs and training** for a number of our young people; **second**, it brings the UN closer to **Kenya** and to **Africa**.

89. And this development, **Mr Speaker**, is a good example of Kenya's continued recognition in the family of nations. The truth is that in **2017**, we defended the

values we cherish — African solidarity; peace and prosperity; the rule of law between nations — and we grew in the respect of our partners and friends abroad.

90. So, **Mr Speaker**, it is quite clear that Kenya today is **freer, safer, more prosperous**, and held in higher regard than it has ever been.

91. We give thanks for these achievements, but we also recall that the truest measure of a nation's strength is the character and unity of its people. The framers of our constitution were wise to ask us to reflect, annually, on the character of our people, and on our adherence to the precepts of the constitution.

92. And the precept of precepts, the animating value of our constitution, is **unity**. We take pride in our diversity, as we say in the very preamble of our constitution, and we are determined to live as **one sovereign people, undivided**.

93. These are words of great beauty. Whether we have let them guide us throughout the last year is the big question.

Hon. Members,

94. Cast your minds back to last year's political competition. Kenyans twice cast their votes in peace; in the end, the result reflected the will of the people, and respected the law of the land.

95. Our institutions held firm.

96. To the Judiciary, we ask only that your independence be joined to even greater effort on your part to ensure that your arm of government attains the highest standards of conduct and integrity, and that it never loses sight of the interdependence of all arms and levels of government.

Hon. Members,

97. We also learned, again, a hard truth. Neither peace nor unity are a given; we have to work for them. I say so because last year taught us that if we don't put an end to unrestrained political competition, it will put an end to Kenya.
98. You saw what happened. In the heat of the campaign, words of anger, malice, and hatred were spoken. Politics was no longer a debate between opponents on issues; it was a clash of irreconcilable enemies.
99. You saw the consequences: lives lost, property destroyed, our **unity sapped**.
100. I want to be clear here: never again should Kenyan life be lost for politics' sake; never again should Kenyans' property be destroyed on account of politics. But that will not just happen on its own.
101. All of us, and in particular we leaders here, will have to admit that last year, we failed in our duty to **preserve the unity of this country. And we must make amends.**
102. **First**, I pray that all of us will spend the days and weeks after this address repairing the bonds that frayed last year. Let us apologize for our words, and for the anger and malice that Kenyans heard.
103. From **Mandera to Maseno**, from **Mbita to Mvita**, from **Lodwar to Lunga Lunga**, let us **shake hands and embrace our neighbours**, and let us celebrate the diversity that is **God's gift to us**.
104. Let every leader in the country reach out to our sons and daughters, and remind them that they have it in them to forge a Kenya that speaks gently, that criticizes constructively, and that embraces and respects dissent and competition as healthy and civilized ways of collaboration.
105. And since leadership is best done not by exhortation but by example, let me do as I have asked you to do.
106. If there was anything I said last year that hurt or wounded you, if I damaged the unity of this country in any way, I **ask you to forgive me, and to join me in repairing that harm.**

Mr. Speaker,

107. I am not the only leader who deeply felt the need to restore unity: the Right Hon. Raila Odinga, did so too. So let me praise the statesmanship he showed when, on 9 March this year, he and I publicly committed to **reconciliation**, with the Kenyan people as our witnesses.

108. When he and I met earlier in the year, we agreed to work together to strengthen the unity of our country. We hoped to emphasize then that *collaboration*, comprises both competition and disagreement. We did not immediately solve all Kenya's most pressing problems, nor did we see eye-to-eye on every proposed answer. It is important to emphasize that unity doesn't mean unanimity.

109. Rt. Hon. Raila and I stood together not because we agreed on every item of politics or policy, but because we agreed that Kenya belongs to all of us.

110. None of us is less – or for that matter, more – Kenyan than his brother or sister. All of us are entitled to be heard; all of us are entitled to our fair share of Kenya's resources; and all of us are entitled to a government that honours these commitments.

111. Kenyans reacted with a surge of optimism to our meeting, because they wanted a return to unity. Our handshake invited Kenyans to rediscover what they had known all along: when all the politics is said and done, we are each other's keeper.

112. But if Kenya is to remain strong, we must change our approach to political competition. We are proud, and rightly so, of our cultural heritage, but it does not follow that our ethnic identity is our **political identity**.

113. We have done that for half a century, and it has brought us very close to complete ruin. Too many of our leaders have manipulated our ethnicities to seize power, and then exploited it to avoid accountability.

114. We cannot afford another **fifty years** of farmers struggling to make a living, of families without proper sanitation, or of families bankrupted by healthcare costs.

We need change **now**, in this generation, so that our children grow to adulthood in a **totally different Kenya**.

115. We must demonstrate we are truly Kenyan citizens. We must do this for our country; not for self. That, **Hon. Members**, has been, and remains, my vision throughout my time **as President**.

116. That vision is within reach: all we have to do is to look up, and grasp it. To see it, the leaders seated here can help. Show us all a better way.

117. Teach us to criticize constructively; teach us to adore hard work and reject the easy shilling; and teach us always to preserve the **Unity of the House** we have inherited from our fathers and founders of this **Great Nation**.

118. If you do that, **Hon. Members**, then you will have the eternal gratitude of the Kenyan people; and of those born years from now into a Kenya whose politics revolve around service delivery.

119. Finally, **Mr. Speaker**, it is now my honour to present three reports to this House as obligated by our Constitution, namely: **(i) Report on All the Measures Taken and the Progress Achieved in the Realization of National Values; (ii) Progress made in fulfilling the International Obligations of the Republic; and (iii) the State of Security**.

Thank You and God Bless Kenya.

H.E. UHURU KENYATTA, C.G.H
PRESIDENT OF THE REPUBLIC OF KENYA
AND COMMANDER-IN-CHIEF OF THE DEFENCE FORCES

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