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THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2020**

**STATE DEPARTMENT FOR CROP
DEVELOPMENT AND AGRICULTURE
RESEARCH**



Project Name SMALL SCALE IRRIGATION AND VALUE ADDITION PROJECT

**Implementing Entity STATE DEPARTMENT FOR CROP DEVELOPMENT AND
AGRICULTURAL RESEARCH**

PROJECT GRANT/CREDIT NUMBER 5570155000751/2000130014530

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is **SMALL SCALE IRRIGATION AND VALUE ADDITION PROJECT (SIVAP),**

Objective: The key objective of the project is To contribute to poverty reduction by ensuring increased agricultural productivity and incomes; and food security among beneficiaries in eleven counties by **June 2022**

Address: The project headquarters offices are Located in **HILL PLAZA BUILDING, 9th Floor, Opposite Milimani Law Courts, Ngong Road, P.O. Box 30028-00100, NAIROBI, Kenya.**

The address of its registered office is: P.O. Box 30028-00100, NAIROBI, Kenya.

The project also has offices/branches as follows:

- County Headquarters, Machakos County
- County Headquarters, Makueni County
- County Headquarters, Kitui County
- County Headquarters, Kajiado County
- County Headquarters, Muranga County
- County Headquarters, Nyeri County
- County Headquarters, Bomet County
- County Headquarters, Meru County
- County Headquarters, Tharaka Nithi County
- County Headquarters, Nyandarua County
- County Headquarters, Tana River County

Contacts: The following are the project contacts

Telephone: (254) 722 827 425/ 0722 886 584

E-mail npcsivap@gmail.com

Website: www.kilimo.go.ke

1.2 Project Information

Project Start Date:	The project start date is 1st July 2016
Project End Date:	The project end date is 30th June 2022
Project Manager:	The project manager is Eng. Kennedy Wandera Makudih
Project Sponsor:	The project sponsor is the Government of Kenya (GoK), The African Development Bank (AfDB) and Global Agriculture & Food Security Programme (GAFSP)

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1.3 Project Overview

Line Ministry/State Department of the project	The Project is being implemented and Supervised by the State Department for Crops Development in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives.
Project number	ADB Loan 2000130014530 & GAFSP GRANT 5570155000751
Strategic goals of the project	The strategic goals of the project are as follows: <ul style="list-style-type: none"> ▪ Enhancing Irrigation Infrastructure and Water Resources Development; ▪ Improved Access to Markets and Strengthening Value Chain; ▪ Institutional Strengthening and Capacity Development;
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> (i) Investment and provision of water infrastructure (Dams, Water pans, Boreholes, Shallow wells, Earth dams). (ii) Investment in Irrigation Schemes and Micro Irrigation schemes (iii) Improved Crop Production in the Irrigation schemes and the other water structures provided (iv) Improved Crop Marketing and Management (v) Improve livestock production marketing
Other important background information of the project	The Project aims at improving communities' resilience to drought and hence improve their livelihoods in a sustainable way.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> (i) Enhancing Irrigation Infrastructure and Water Resources Development; (ii) Improved Access to Markets and Strengthening Value Chain; (iii) Institutional Strengthening and Capacity Development;
Project duration	The project started on 1st July 2016 and is expected to run until 30 June 2022

1.4 Bankers

The following are the bankers for the current year:

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

1.5 Auditors

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

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Eng. Kennedy Makudiuh	SSE	Msc. Agricultural Engineering	Project Co-ordinator
Eng. George K. Kahuro	SSE	Msc. Agricultural Engineering	Deputy Project Co-ordinator/Component Manager
Gerald K. Kurema	P.A	C.P.A (K) B.Com	Project Accountant
Douglas Kangi	DDA	Msc. Tropical Agriculture	M&E Specialist
Elizabeth Mwanzia	Procurement Assistant	Diploma in Supply Chain Management	Project Procurement Specialist
Jonah Kebeney	Agriculture Engineer	Bsc. Agricultural Engineering	Project Engineer
Josephat Omari	Agriculture Engineer	Bsc. Agricultural Engineering	Project Engineer
William Ndeka	PAO	Bsc. Horticulture	Horticulture Specialist
Elizabeth Yegon	PAO	Msc. Gender & Agriculture	Gender Specialist
Judith Muricho	PLPO	Msc. Agri. Resource Mgt	Livestock Specialist
Janet Ayuke	PAO	Bsc. Agriculture	Environment Specialist
Benard Wanjohi	PAO	Msc. Agriculture Information & Communication Management	ICT Specialist

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1.7 Funding summary

The Project is for duration of six (6) years from 2016 to 2022 with an approved budget of US\$ 70.684 million equivalent to KShs 6,833,641.32 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date -		Undrawn balance to date	
	Donor currency(USD) (A)	KShs (A')	Donor currency(USD) (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Grant						
Global Agriculture and Food Security Programme	22,800,000	2,320,229,520	1,627,391	175,754,950	21,172,639	2,286,650,882
(ii) Loan						
African Development Bank	39,546,000	3,823,158,192	11,584,790	1,251,157,361	27,961,209	3,019,890,639
(iii) Counter part funds						
Government of Kenya	7,138,000	690,074,930	694,818	75,040,375	6,443,182	695,863,625
Total	69,484,000	6,833,462,642	13,906,999	1,501,952,686	55,577,030	6,002,405,146

1.8 Summary of Overall Project Performance:

– Budget performance against actual amounts for current year and for cumulative to-date,

BUDGET ITEM /CATEGORY	PRINTED ESTIMATES	REVISED ESTIMATES	ACTUAL EXPENDITURE CURRENT FINANCAIL YEAR 2019-2020	% ABSORPTION
GOK	34,302,200	34,302,200	12,418,789	36.2%
GRAND REVENUE	94,052,109	N/A	71,746,283	76.28%
GRANT AIA	532,961,979	-522,961,979	38,602,367	386%
LOAN REVENUE	76,609,730	N/A	65,137,360	85%
LOAN AIA	721,408,210	-421,408,210	273,039,849	91%
TOTAL	1,459,334,228			31.6%

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B.2 – Outcome reporting

Outcome Indicators (as specified in the RLF add/delete rows as needed)	Baseline Value	Most recent value	End Target (expected value at project completion)	Progress towards end target (% realized)	Assessment (on whether outcome indicator is on track to reach annual and end targets. . If not on track, please justify)
Outcome 1: Increased agricultural productivity					
Increased Crop production					
Green Maize	2.5	8	15	53%	On track
Bananas	4	4.2	10	40%	On tarck
French beans	0.27	4.5	11	41%	On tarck
Water melon	5	12	25	48%	On track
Tomatoes	2.5	7.5	25	30%	On track
Increased Quantities of livestock product					
Indigenous chicken meat	7,297.0	9000	10,683.5	84%	On track
Milk	133,552,824.6	178,000,000	195,534,690.5	92%	On track
Goat Meat	3,355.3	4,500	4,912.5	91.6%	On track
Honey	1,290.3	1700	1,889.2	90%	On track
Beef	800.0	860	878.4	98%	On track
Out come 2 Post-Harvest Loss reduction in crops produced (%)	40	30	20	25%	On track and to be intensified once all irrigation schemes are under production

B.3 OUTPUT REPORTING

output Indicators (as specified in the RLF, add/delete rows as needed)	Most recent value	Annual Target (expected value at project completion)	End Target (expected cumulative value at completion)	Progress towards annual target (% realized)	Progress towards end target (% realized)	(on whether output indicator is on track to reach annual and end targets. If not on track, please justify)
Component 1 : Enhanced Water Infrastructure Development						
Subcomponent 1: Irrigation infrastructure developed and rehabilitated						
1. Area with new irrigation and drainage services Developed (ha)	1370	1375	1599	99.6%	86%	5 Schemes(Makan yanga, Ruungu, Kirumi, Kaboson, Rubiru with 1370 ha at between 28 to 95 % completion. 1 scheme (Buuri) with 246 Ha is at is awaiting KFS approval of the dam. 1 Scheme Kagongo contract awarded and construction has just started
2. Area with improved/rehabilitated irrigation and drainage services (ha)	260	280	957	93%	27%	1 scheme Gikindu wendani handing over done and RE appointed in meantime and construction ongoing,3 schemes Utangwa, Oleshuru AND Ndiriti Aguthi bank recommended further due deliigence before signing of contracts which was done and contracts signed on 24 th june 2020. 1 scheme Kyemwee contructions works advertisded and ongoing evaluations . The schemes are expected to contribute 957 Ha. The target was revised after downwards from 1274 Ha to 957Ha due to inadequate water because of climate change challenges.

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production planning done in 2 Schemes (Ruungu & Maknayanga) . The production, market linkage ongoing in all 16 sites (12 Schemes & 4 Catchments). Construction works of 4 livestock saleyards advertised and tender evaluation ongoing.

Component 3: Support to the formation and strengthening of farmer institutions (farmers groups, producer associations, CBOs, Cooperatives)

<p>1. Group dynamics & community sensitization sessions to farmer associations and Women Associations</p>	<p>45</p>	<p>47</p>	<p>96</p>	<p>95%</p>	<p>47%</p>	<p>The figures are cumulative targeting 16 sensitizations per year from year 1. this are done by the ToTs trained with backstopping by PCU. Community Mobilization, Formation of Women Associations was envisaged to be under TA in the PAR but during implementation; the PCU, CCU and Sub-CCUs and other stakeholders have been more effective in carrying out the activity hence better sustainability of the beneficiaries. The funds for this indicator be channeled to the CCU and Sub-CCUs through the PCU for implementation.</p>
<p>2. No. of ToTs in (Various topics - Irrigation Agronomy, GAPs and Animal Husbandry practices ToTs module 2s) in 16 Sites (Total 384 Staff)</p>	<p>482</p>	<p>400</p>	<p>414</p>	<p>100%</p>	<p>100%</p>	<p>The target TOT are 12 (384 TOTs) and 1 short course trainings per year targeting 5 Staff per year (30). Already 482 Staff trained (325,105F). Following re-allocation of more funds to capacity building the PCU will carry out more TOTs and therefore surpass the initial targets</p>
		<p>viii</p>				<p>This includes 12 IWUAs Committees from the targeted 12 in PAR and the 4 Catchment committees have all been mobilized. All committees are mobilized and strengthened but 2 are registered by Attorney Generals Office. Co-</p>

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6.Implementation of Food and Nutrition Security Policy	0	1	11	0%	0%	To be implemented in the 11 Counties hosting the 16 sites through County Assemblies. This will be lead by FAO and the PCU in collaboration with the Policy department of the MoALF&I-Kilimo from year 4 but not yet done.
Component 4.Project Management & Coordination						
1.PCU Established and /or Expanded	1	1	1	100%	100%	The PCU was expanded to include Environmental specialist, Livestock specialist, Field Coordinator and Agribusiness Specialists. It was established in year 1 but there have been very frequent staff changes necessitating capacity building of the new staff.
2. Formation & Strengthening operational and technical capacity of county coordination Units/Committees	11	11	11	100%	100%	Established in year 1 and sensitized in year 2 but due to General Elections done in 2017 and resultant changes in both technical and political realignments in most counties, there is need to undertake sensitization again.
3. Formation & Strengthening operational and technical capacity of Sub County coordination Units/Committees	16	16	16	100%	100%	Established in year 1 and sensitized in year 2 but due to General Elections done in 2017 and resultant changes in both technical and political realignments in most counties, there is need to undertake sensitization again.
4. Number of Project steering meetings held (At least 1 Meeting & 1 field visit)	4	6	12	67%	30%	The PSC is in place and meets at least twice per year with one meeting including field monitoring visits. The last field visit was done on 10th April 2019 to Makanyanga Scheme. Next meeting is planned for early February 2020.
		ix				2 Missions were achieved last year. The last mission was done on 10 th -14

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– **Comment on value-for-money achievements,**

For all the projects undertaken and completed by the Project so far, there has been value for the Money used.

– **Absorption rate for each year since the commencement of the project.**

Financing source	Total Approved	Absorption as at 30 th June 2017	Absorption as at 30 th June 2018	Absorption as at 30 th June 2019	Absorption as at 30 th June 2020
Laon	39,546,00	1.41%	12.35%	21.6%	26%
Grant	24,000,000	0.11%	1.82%	7.02%	8%
GoK	7,138,000	3.88%	6.23%	11.20%	19.7%
Total	70,684,000	1.8%	8.16%	15.75%	19.25%

– **List the implementation challenges and recommended way forward.**

Include Issues, challenges and risks from previous reports (progress report and/or IPR), or other key challenges/risks identified by the project during the previous quarter, affecting project implementation and/or sustainability (i.e. financial, disbursement, institutional, ownership, gender and environmental sustainability).

Key Issue/Risk (add/delete rows as needed)	Corrective action/Mitigation measure	Responsibility	Deadline	Status (Pending initiation, in progress, finalized)	Comments
Feasibility studies, survey and designs of structures take long to conclude	Use of internal government specialist personnel rather than go for consultancies	PCU	On-going	In progress	The studies are currently taking less than two weeks to complete for a cluster of small structures unlike before hence time and money saved
Dishonest, slow and problematic contractors for works	Carrying out due diligence thoroughly before award of contracts. Blacklisting of problematic contractors. Contract termination	PCU	On-going	In progress	Some contractors have been given termination notices. As for new contracts, before awarding due diligence will be carried out.
Slow disbursement Progress of project	Project Managers called to draw action plans to	PCU	On-going	Finalized	The Project managers have

¹ Any finalized action need to be excluded in the subsequent report

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<i>Include Issues, challenges and risks from previous reports (progress report and/or IPR), or other key challenges/risks identified by the project during the previous quarter, affecting project implementation and/or sustainability (i.e. financial, disbursement, institutional, ownership, gender and environmental sustainability).</i>					
Key Issue/Risk (add/delete rows as needed)	Corrective action/Mitigation measure	Responsibility	Deadline	Status (Pending initiation, in progress, finalized')	Comments
funds	improve disbursements for the projects they manage. PCU to collectively engage in project follow ups and management to support PMs				drawn action plans to improve disbursement. Results indicate improved generation of interim payment certificates and improved payments
Wide geographical spread of project activities across the counties including poor roads and mobile telephone network.	The PCU has grouped the counties in two lots for ease of management, especially for packaging procurement activities. Enhancing the counties' capacity to follow up and work with the community management committees at the county level.	PCU	On going	In progress	Modalities of delegating to the counties the development and management of the infrastructure facilities within their counties (PCU does supervisory role)
Slow pace of ownership by County Executives thus affecting implementation	Seeking county buy-in now that most County executives have been replaced/appointed	County Governments	On-going	Finalized	Continuous sensitization of the new county executives on their roles so as to support sustainability of the structures constructed.
Low budgetary revenue funds allocation for operations; itemized budgets limits project expenditures	Treasury and Ministry to consider up scaling; reconsider Program Based Budgets (PBB) for projects	National Treasury/Ministry	On-going	In progress	Lobbying for increase of budgetary provision.

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Include Issues, challenges and risks from previous reports (progress report and/or IPR), or other key challenges/risks identified by the project during the previous quarter, affecting project implementation and/or sustainability (i.e. financial, disbursement, institutional, ownership, gender and environmental sustainability).

Key Issue/Risk (add/delete rows as needed)	Corrective action/Mitigation measure	Responsibility	Deadline	Status (Pending initiation, in progress, finalized!)	Comments
Slow access to revenue and Counterpart funds due to IFMIS downtime	Improve efficiency of the system	National Treasury/Ministry	On-going	In progress	The Treasury has opened separate account for the GOK counterpart funds but it will start to be used in the next FY 2020/2021.

Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Guidance

Refer to the project objectives from the Credit No and project ID which inform the program budget and annual budget. Report on the extent of the project's progress in attaining the program plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the project in implementation of its plan

Project Goal/Purpose

The project will contribute to activities that are required to be implemented within the period of the Medium Term Plan (MTP-II 2013-17 and MTP-III 2018-21) that is intended not only to modernize agriculture in Kenya but also offer improved household welfare and increased income levels. The broad objective of SIVAP is to contribute to poverty reduction by enhancing agricultural productivity and income, and food security among beneficiaries of these 11 counties. The direct and indirect beneficiaries include 104,000 farming households, (54,000 are direct beneficiaries while over 50,000 are indirect beneficiaries) making a total of 520,000 persons – of which 58% are women and youths in eleven counties of the country. The indicators to measure success of the project will include Rural Poverty Index (% age of Population living below USD1.25, Percentage of stunting in under-5 children (%), Global hunger index, Average crop yields (mt/ha) and Average livestock production. Information on these indicators will be obtained from; Kenya Bureau of Statistics, Household survey, MoALF's Crop forecasting surveys, M & E Studies, Project Impact study, Health survey reports, Rural Poverty Index for Kenya reports and farmer interviews

Project Objectives

The specific project objectives are:

- **Enhancing Irrigation Infrastructure and Water Resources Development;**
Outcome: Enhanced Irrigation Infrastructure (12 schemes) and Water Resources Development (60 micro-irrigation schemes) by 2022
- **Improved Access to Markets and Strengthening Value Chain;**

Outcome: improved livestock infrastructure and market access by constructing/ upgrading of 11 crop and livestock marketing facilities by 2022

- **Institutional Strengthening and Capacity Development;**
Outcome: Give capacity to 412 TOTs in 7 thematic areas to support formation and strengthening of farmer institutions by 2019
- **Project Coordination and Management;**

Outcome: Well developed and functional coordination structures (PSC, PCU, and 11 CCUs) by 2018

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KENYA-SMALLSCALE AND VALUE ADDITION PROJECT (SIVAP)-PROGRESS AS AT 30TH JUNE 2020

Indicator	Start of Programme		Achievement	% Progress to target
	Baseline	End of Prog. Target		
2.1. Increased Agricultural Productivity				
2.1.1 Increased Average crop yields (mt/ha)				
Green Maize	2.50	15	8	53.3
Bananas	0	10	4.2	42.0
French Beans	0.27	11	4.5	40.9
Water Melon	5	25	12	48.0
Tomatoes	2.5	25	7.5	30.0
2.1.2 Increased Quantities of livestock products(Mt/yr)				
Indigenous chicken meat				
Milk	7,297.0	10,683.5	4,550.0	42.6
Goat meat(chevon)	133,553	195,535	88,506	45.3
Honey	3,355	4,913	2,203	44.8
Beef	1,290	1,889	804	42.6
	800	878	393	44.7
2.1.3 Post Harvest Loss reduction in crops produced (%)	40	20	30	25.0
2.1.4 Number of farmers who have adopted the technology being promoted	6,000	119,652	20,000	16.7
2.1.5 Number of additional hectares which have adopted the technology being promoted	200	2556	1360	53.2
2.2 Enhanced Value Addition of crops and livestock products				
2.2.1. Increased incomes from value added products (%)	5	50	20	40.0
3.1 Irrigation Schemes constructed and rehabilitated				
3.1.1 Percentage completion of additional area with improved/rehabilitated irrigation and drainage services	0.078	100	45	45.0
3.1.2 Area with improved/rehabilitated/new irrigation and drainage services (ha)	200	2556	1640	62.6

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3.2 Soil and Water conservation				
3.2.1 Percentage completion of new rain fed area brought (catchments -Micro irrigation) under Irrigation (Ha)	0	100	33	33.0
3.2.2 Area of new rain fed area brought (catchments -Micro irrigation) under Irrigation (Ha)	0	300	100	33.0
3.2.3 Design capacity (M3) of Water harvesting structures (Water Pans (WP), Subsurface Dams (SSD) & Earth Dams (ED) Developed	70,000	250,000	125,000	50.0
3.2.4 Area (ha) under soil and water conservation technologies and practices	0	15,000	1550	10.3
3.2.5 No of operational (BH& SW)	0	60	19	31.7
3.3 Crop and Livestock intensification and diversification				
3.3.1 Number of demonstrations set up	0	1026	2083	203.0
3.3.2 Number of farmers participating in the demonstrations	0	18510	6000	32.4
Males	0	7774.2		
Females	0	10735.8		
3.3.3 Number of farmers who have replicated the technology being promoted	6,000	119,652	20,000	16.7
4.1 Access to market				
4.1.1 Km of rural access roads infrastructure Developed	50	300	160	53.3
4.1.2 Number of public-private agro-processing and quality control facilities installed	0	16	6	37.5
4.1.3 Volume of farm produce under improved post-harvest management				
4.1.3.1 Volume of crop farm produce under improved post-harvest management(tonnes)	6189	38476	15000	39.0
4.1.3.2 Volume of Livestock farm produce under improved post-harvest management(tonnes)	120556	209595	80,000	38.2
4.1.4 Number of rural markets/market centers constructed	0	22	11	50.0
4.1.5 Number of market linkages and collective marketing platforms	0	96	9	9.4
5.0 Institutional strengthening and Capacity Development				

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5.1.1 Number of targeted clients who are members of an association including producer association, cooperative, water user association etc	0	32392	3000	9.3
Males	0	13604.64		
Females	0	18787.36		
5.1.2 Number off staff trained	0	414	482	116.4
5.1.3 Number of client days of training on better post-harvest storage, transportation, and/or management practices provided	0	80	50	62.5
5.1.4 Number of beneficiaries supported by project	6,000	598,260	200,000	33.4
Males	3,300	251,269	84,000	
Females	2,700	346,991	116,000	
5.1.5 Number of client days of extension services provided to farmers	0	8400	6432	76.6
5.1.6 Number of people receiving improved nutrition services (bio-fortified foods, home gardens and utilization)	0	2,400	1350	56.3
Males		1008	567	
Females		1392	783	
6.1.1 Operational coordination units activities	0	29	0	100.0
6.1.2 Number of environmental assesement and audit (ESMP,ESMF,EA)	0	407	67	10.8
6.1.4 A functional M&E system	0	1	0.7	50.0
6.1.5 Number and cost of analytical reports published	0	12	2	16.7

Enumerate all the objectives of the project as per the program plan

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's 2018-2022* plan are to:

- (i) Enhancing Irrigation Infrastructure and Water Resources Development;
- (ii) Improved Access to Markets and Strengthening Value Chain;

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(iii) Institutional Strengthening and Capacity Development

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
SIVAP	Enhancing Irrigation Infrastructure and Water Resources Development;	Enhanced Irrigation Infrastructure (12 schemes) and Water Resources Development (60 micro-irrigation schemes) by 2022	Area with improved/rehabilitated/new irrigation and drainage services (ha)	45% of end project target of 2556ha under improved irrigation and drainage services
	Improved Access to Markets and Strengthening Value Chain	improved livestock infrastructure and market access by constructing/upgrading of 11 crop and livestock marketing facilities by 2022	No of market access facilities constructed	4 livestock markets advertised and handed over to contractors for construction works

Small scale Irrigation and Value Addition Project (SIVAP)
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	Institutional Strengthening and Capacity Development	Give capacity to 412 TOTs in 7 thematic areas to support formation and strengthening of farmer institutions by 2019	No of TOTs Trained	414 trained surpassing the end of project target hence 100% achievement
	Project Coordination and Management	Well developed and functional coordination structures (PSC, PCU, and 11 CCUs) by 2018	No of PSC, PCU, and CCUs by 2018	PSC, PCU, and 11 CCUs were in place by 2018 hence 100% achievement

The specific project objectives are:

- Enhancing Irrigation Infrastructure and Water Resources Development;
Outcome: Enhanced Irrigation Infrastructure (12 schemes) and Water Resources Development (60 micro-irrigation schemes) by 2022
- Improved Access to Markets and Strengthening Value Chain;

Outcome: improved livestock infrastructure and market access by constructing/ upgrading of 11 crop and livestock marketing facilities by 2022

- Institutional Strengthening and Capacity Development;
Outcome: Give capacity to 412 TOTs in 7 thematic areas to support formation and strengthening of farmer institutions by 2019
- Project Coordination and Management;

Outcome: Well developed and functional coordination structures (PSC, PCU, and 11 CCUs) by 2018

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile -

From the inception of the project community participation was given prominence, where communities participated in joint site identification. This was done with the communities for success in the project, ownership and sustainability

2. Environmental performance

The project has continuously conducted ESMP monitoring for all its projects during the site management meetings till completion of the projects

3. Employee welfare

4. Market place practices-

5. Community Engagements-

From the inception of the project community participation was given prominence, where communities participated in joint site identification. This was done with the communities for success in the project, ownership and sustainability. All Projects are managed by Committee based committees who are elected democratically and is done yearly with full participation of the local communities.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

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

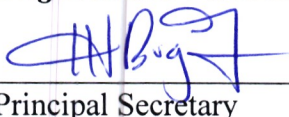
The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small Scale Irrigation and Value Addition Project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method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

The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small Scale Irrigation and Value Addition Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The **Principal Secretary** for **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small Scale Irrigation and Value Addition Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

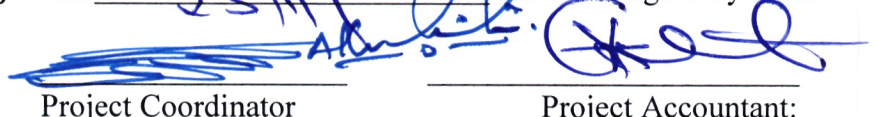
Approval of the Project financial statements

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



Principal Secretary

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



Project Coordinator

Name **Eng. Kennedy Makudih**



Project Accountant:

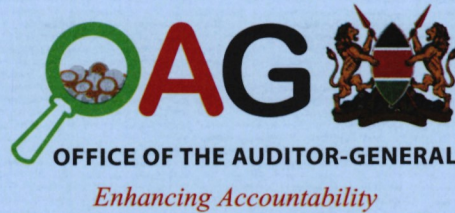
Name: **Gerald Kurema**
ICPAK Member No. **8980**

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020

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REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON SMALL-SCALE IRRIGATION AND VALUE ADDITION PROJECT (ADF LOAN NO.2000130014530 AND GRANT NO.5570155000751) FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Small-Scale Irrigation and Value Addition Project set out on pages 1 to 26, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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, the financial position of the Small-Scale Irrigation and Value Addition Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Section 5.03 of the Loan Agreement No.2000130014530 and Protocol of Agreement Grant No.5570155000751 signed on 4 February, 2016 between the Republic of Kenya and the African Development Bank and the Public Finance Management Act, 2012

In addition, the special account statements present fairly, the special accounts transactions for the year, and the closing balances have been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Small-Scale Irrigation and Value Addition Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report of the Auditor-General on Small-Scale Irrigation and Value Addition Project (ADF Loan No.2000130014530 and Grant No.5570155000751) for the year ended 30, June, 2020 - State Department for Crop Development and Agricultural Research

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters in the year under review.

Other Matter:

1. Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 514,964,039 and Kshs.454,216,166 respectively resulting to an under-funding of Kshs. 60,747,873 or 12% of the budget. Similarly, the Project expended Kshs.458,241,556 against an approved budget of Kshs.514,964,039 resulting to an under-expenditure of Kshs. 56,722,483 or 11% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised based on various stalled and delays in completion of projects, among others. Although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Public Account Committee has not deliberated on these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Disclose Special Accounts Movement Schedule

Included under Note 8.13 to the financial statements is a special accounts movement schedule which reflects nil opening balances, deposits and withdrawals during the year under review and nil ending balance as at 30 June, 2020. The special accounts movement schedule is at variance with the special accounts statements prepared by The National Treasury which indicates that an amount of Kshs.69,635,554.08 was withdrawn from the special account and transferred to the Project Account for the same project.

In addition, the Project's Management has not attached special accounts reconciliation statements prepared by The National Treasury as annexure to the financial statements contrary to the guidelines issued by the Public Sector Accounting Standards Board (PSASB).

The Management is therefore in breach of the Law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Vote Control Procedure – Lack of Authority to Incur Expenditure

As reported in the previous year, the statement of project management and responsibilities states that the Principal Secretary and the Program Coordinator for the project shall ensure that the opinion of the program's financial statements give a true and fair view of the state of its transactions during the year. However, it was observed that the State Department, upon receipt of the Exchequer release of GOK counter funding, was not transferring the funds received for the project to the designated bank account.

According to the IFMIS report, during the year under review, the State Department of Crop and Agricultural Research had an approved budget of Kshs.34,302,200, however no funds were transferred to the project bank account. Further, all the GOK counter funding was being paid through IFMIS and not the designated projects bank accounts.

According to the presentation of the annual approved estimates, the Project's funds were presented as Capital Grants to Government Agencies and other levels of Government while they were supposed to be a transfer to the project account. No explanations were provided for non-adherence to the budget and budgetary control measures.

2. Incomplete Imprests Register

The statement of financial asset reflects nil balance for accounts receivables - imprests and advances. However, it was observed that the Management failed to maintain a complete imprests register showing; imprest warrant number, payee, date of issue of imprest, due date and actual date surrendered, contrary to provisions of Regulation 52(1) (j) and 92(4) (c) of the Public Finance Management (National Government) Regulations, 2015.

In addition, examination of the imprest register revealed that imprests had been issued to project officers without being recorded after imprest warrants approvals. The dates and warrant numbers were also not recorded in a chronological order in the imprests register. Further, imprests amounting to Kshs.41,947,130 captured in the cashbook were not recorded in the imprests register.

3. None Maintenance of Retention Monies Register

The statement of receipts and payments reflects an expenditure of Kshs.316,418,882 under acquisition of non-financial assets. However, as reported also in previous years, the project does not maintain a retention register. Examination of payment vouchers revealed deductions of retention for each certificate but no funds were set aside to pay the contractors upon the completion of the defects liability period.

In the circumstances, it was not possible to confirm how the project will pay the retention money when the defects liability period is over. Further, lack of retention register distorts the trail of total retention monies deducted and payable upon the completion of the defects liability period.

4. Internal Audit Function, Audit Committee and Overall Governance

4.1. Lack of Internal Audit Review

The Programme is implemented by the State Department for Crop Development and Agricultural Research. Therefore, the Internal Audit Unit of the State Department is expected to carry out internal control assessments of the Programme's activities. However, there is no evidence that such assessments have been carried out as yet. As a result, the Programme's internal control environment may be weak and the situation may have hampered the efficient and effective execution of the Programme activities.

4.2. Inactive Audit Committee

The Audit Committee constituted by the parent State Department did not convene or hold regular meetings during the year as required under section 155(5) of the Public Finance Management Act, 2012. No documentary evidence was provided to show that internal audit reports were tabled or discussed by the Audit Committee.

Consequently, failure by the Audit Committee to perform its duties and convene regular meetings may lead to Internal Audit Function becoming ineffective and, the quality of

internal audit reports and its independence may be compromised for lack of an effective Audit Committee.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. 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, adequate accounting records have been kept by the Project, so far as appears from the examination of those records and;

- ii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to 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 and business activities of the Small-Scale Irrigation and Value Addition Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

05 January, 2021

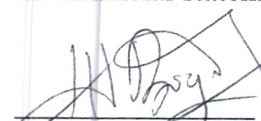
Report of the Auditor-General on Small-Scale Irrigation and Value Addition Project (ADF Loan No.2000130014530 and Grant No.5570155000751) for the year ended 30, June, 2020 - State Department for Crop Development and Agricultural Research

*Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020*

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/20		2018/19		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	8.3	12,418,789		12,621,856	-	45,040,645
Proceeds from domestic and foreign grants	8.4	55,815,609		29,326,969	-	199,487,104
Loan from external development partners	8.5	69,562,886	316,418,882	19,483,860	385,078,782	1,229,361,181
Proceeds from AIA	8.6			-	-	0
TOTAL RECEIPTS		137,797,284	316,418,882	61,432,685	385,078,782	1,473,888,930
PAYMENTS						
Compensation of employees	8.7	6,525,000		6,270,500		15,980,500
Purchase of goods and services	8.8	135,297,674		50,558,739	-	245,010,657
Social security benefits	8.9			-	-	0
Acquisition of non-financial assets	8.10		316,418,882		385,078,782	1,057,727,235
Transfers to other government entities	8.11			-	-	0
Other grants and transfers and payments	8.12			-	-	0
TOTAL PAYMENTS		141,822,674	316,418,882	56,829,239	385,078,782	1,318,718,392
SURPLUS/(DEFICIT)		(4,025,390)	-	4,603,446	-	155,170,537

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


Principal Secretary

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


Project Coordinator

Name: **Eng. Kennedy Makudih**


Project Accountant

Name: **Gerald Kurema**
ICPAK Member No. **8980**

Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

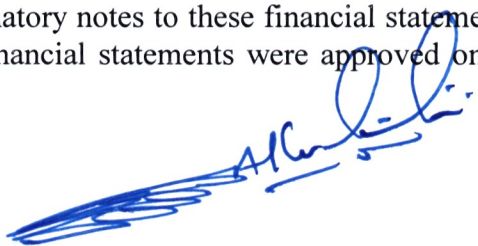
	Note	2019/2020	2018/2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.13.A	595,834	54,574
Cash Balances	8.13.B	0	0
Cash Equivalents (short-term deposits)	8.13.C	0	0
Total Cash and Cash Equivalents		595,834	54,574
Accounts receivables – Imprest and Advances	8.14	0	4,566,650
TOTAL FINANCIAL ASSETS		595,834	4,621,224
REPRESENTED BY			
Fund balance b/fwd	8.15	4,621,224	18,862
Advances-Imprest	8.16	0	-1,084
Surplus/(Deficit) for the year		(4,025,390)	4,603,446
NET FINANCIAL POSITION		595,834	4,621,224

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25/06/2020 and signed by:



Principal Secretary

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



Project Coordinator

Name: **Eng.Kennedy Makudih**



Project Accountant

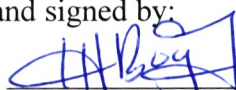
Name: **Gerald Kurema**
ICPAK Member No.8980

*Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020*

8. STATEMENT OF CASHFLOWS FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/19
	Note	Kshs	Kshs
Receipts for operating activities			
Transfer from Government entities	8.3	12,418,789	12,621,856
Proceeds from foreign grants/loan	8.4	125,378,495	29,326,969
Loan from external development partners	8.5	316,418,882	404,562,642
Receipts AIA	8.6	0	0
Total receipts		454,216,166	446,511,467
Payments for operating activities			
Compensation of employees	8.7	6,525,000	6,270,500
Purchase of goods and services	8.8	135,297,674	50,558,739
Acquisition of Non –Financial Assets	8.10	316,418,882	385,078,782
Transfers to other government entities	8.11	0	0
Total Payments		458,241,556	441,908,021
Adjusted for:			
Change in Imprests & Advances		4,566,650	4,566,650
Adjustments during the year	8.16	0	1,084
Net cash flow from operating activities		541,260	35,712
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets		0	50,558,739
Acquisition of Non –Financial Assets	8.10	316,418,882	385,078,782
Net cash flows from Investing Activities		(316,418,882)	(435,637,521)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings grants	8.4	0	50,558,739
Proceeds from Foreign Borrowings	8.5	316,418,882	385,078,782
Advances and payments			
Net cash flow from financing activities		316,418,882	435,637,521
Net increase in cash and cash equivalent		541,260	35,712
Cash and cash equivalent at BEGINNING of the year		54,574	18,862
Cash and cash equivalent at END of the year		595,834	54,574

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 _____ 2020 and signed by:


Principal Secretary

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


Project Coordinator

Name: **Eng. Kennedy Makudih**

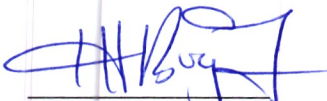
Project Accountant

Name: **Gerald Kurema**
ICPAK Member No. **8980**


Small scale Irrigation and Value Addition Project (SIVAP)
Reports and Financial Statements
For the financial year ended June 30, 2020

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=e/c %
Revenues/Receipts						
Transfer from Government entities	34,302,200	-	34,302,200	12,418,789	21,883,411	36.2%
Proceeds from domestic and foreign grants	94,052,109	-	94,052,109	55,815,609	38,236,500	59.3%
Loan from external development partners	1,330,979,919	(944,370,189)	386,609,730	385,981,768	627,962	99.8%
TOTAL RECEIPTS	1,459,334,228	(944,370,189)	514,964,039	454,216,166	60,747,873	88.2%
Payments/Expenses						
Compensation of Employees	12,512,000	-	12,512,000	6,525,000	5,987,000	52.1%
Communication, Supplies and Services	2,321,500	-	2,321,500	3,947,574	(1,626,074)	170.0%
Printing, Advertising and Information Supplies and Services	2,834,730	-	2,834,730	1,335,813	1,498,917	47.1%
Training Expenses	29,791,700	-	29,791,700	29,772,380	19,320	99.9%
Specialised Materials and Supplies	12,754,809	-	12,754,809	12,355,189	399,620	96.9%
Office and General Supplies and Services	5,331,938	-	5,331,938	1,006,666	4,325,272	18.9%
Fuel Oil and Lubricants	7,816,820	-	7,816,820	4,000,000	3,816,820	51.2%
Other Operating Expenses	489,865,275	(458,672,275)	31,193,000	38,602,367	(7,409,367)	123.8%
Routine Maintenance - Vehicles and Other Transport Equipment	5,588,100		5,588,100	316,500	5,271,600	5.7%
Construction and Civil Works	785,697,914	(485,697,914)	300,000,000	277,816,515	22,183,485	92.6%
Purchase of Vehicles & Other Transport Equip.	15,000,000		15,000,000	-	15,000,000	0.0%
Purchase of Office Furniture & General Equip.	2,037,500		2,037,500	1,104,600	932,900	54.2%
Research, Feasibility Studies, Project Preparation & Design, Project	87,781,942		87,781,942	81,458,952	6,322,990	92.8%
Total Payments/Expenses	1,459,334,228	(944,370,189)	514,964,039	458,241,556	56,722,483	89.0%


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


Project Coordinator
Name: **Eng. Kennedy Makudih**


Project Accountant
Name: **Gerald Kurema**
ICPAK Member No. **8980**

10. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

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

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

8.1.2. Reporting entity

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

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Repayment of borrowing (principal amount)**

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

• **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

h) Third party payments

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

During the year Kshs **316,418,882.00** billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

l) Errors

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/2020	2018-2019	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	0.00		
Counterpart funds Quarter 2	0.00	0.00	
Counterpart funds Quarter 3	0.00	0.00	
Counterpart funds Quarter 4	12,418,789	12,621,856	45,040,645
	<u>12,418,789</u>	<u>12,621,856</u>	<u>45,040,645</u>
<i>Other transfers from government entities</i>			
Ministry xx			
Ministry xy			
Project zxy			
Agency xz			
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Appropriations-in-Aid	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>12,418,789</u>	<u>12,621,856</u>	<u>45,040,645</u>

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount in KShs	
						FY 2019/2020	FY 2018/2019
						USD	KShs
Grants Received from Multilateral Donors (International Organisations)							
African Development Bank	2019/2020		55,815,609			55,815,609	29,326,969
Total			55,815,609			55,815,609	29,326,969

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we received funding from development partners in form of loan negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment *	Total amount in KShs	
		USD	KShs	KShs	FY19/20	FY17/18
Loans Received from Multilateral Donors (International Organisations)						
African Development Bank	2019/2020		69,562,885		69,562,885	19,483,860
Total			69,562,885		69,562,885	19,483,860

8.6. MISCELLANEOUS RECEIPTS

	FY 2019/2020			FY 2018/19	Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Property income	0.00	0.00	0.00	0.00	0.00
Sales of goods and services	0.00	0.00	0.00	0.00	0.00
Administrative fees and charges	0.00	0.00	0.00	0.00	0.00
Fines, penalties and forfeitures	0.00	0.00	0.00	0.00	0.00
Voluntary transfers other than grants	0.00	0.00	0.00	0.00	0.00
Other receipts not classified elsewhere	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

[Provide explanation as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.7. COMPENSATION OF EMPLOYEES

	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	6,525,000	0.00	6,525,000	6,270,500	15,980,500
Basic wages of temporary employees	0.00	0.00	0.00	0.00	0.00
Social benefit schemes outside government	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
Total	<u>6,525,000</u>	<u>0.00</u>	<u>6,270,500</u>	<u>6,270,500</u>	<u>15,980,500</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.8. PURCHASE OF GOODS AND SERVICES

	2019-2020		2018-2019		Cumulative to Date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	
Payments/Expenses					
Communication, Supplies and Services	3,947,574	-	3,947,574	2,053,105	7,751,679
Printing, Advertising and Information Supplies and Services	1,335,813	-	1,335,813	600,537	4,293,393
Training Expenses	29,772,380	-	29,772,380	21,109,328	60,918,748
Specialized Materials and Supplies	12,355,189	-	12,355,189		12,355,189
Office , General Supplies and Services	1,006,666	-	1,006,666	1,131,455	1,006,666
Fuel Oil and Lubricants	4,000,000	-	4,000,000	-	4,000,000
Routine Maintenance - Vehicles and Other Transport Equipment	316,500	-	316,500	-	2,417,595
Utilities and supplies	-	-	-	-	1,003,008
Purchase of Office Furniture & General Equipment	1,104,600	-	1,104,600	-	1,204,100
Research, Feasibility Studies, Project Preparation & Design, Project	81,458,952	-	81,458,952	25,664,314	153,823,977
Total Payments/Expenses	<u>135,297,674</u>	<u>0</u>	<u>135,297,674</u>	<u>50,558,739</u>	248,774,355

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.9. SOCIAL SECURITY BENEFITS

	FY 2019/20			FY	Cumulative
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	2018/19	to- date
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	0.00	0.00	0.00	0.00	0.00
Social security benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
Employer social benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

8.10. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY	Cumulative
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	2018/19	to- date
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	0.00	0.00	0.00	0.00	0.00
Construction of buildings	0.00	0.00	0.00	0.00	0.00
Refurbishment of buildings	0.00	0.00	0.00	0.00	0.00
Construction of roads	0.00	0.00	0.00	0.00	0.00
Construction of civil works	0.00	316,418,882	316,418,882	385,078,782	1,057,727,235
Overhaul & refurbishment of construction and civil works	0.00	0.00	0.00	0.00	0.00
Purchase of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00
Overhaul of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00
Total	0.00	316,418,882	316,418,882	385,078,782	1,057,727,235

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Ministry	0.00	0.00	0.00	0.00	0.00
Project	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00
Transfers to County Government					
County	0.00	0.00	0.00	0.00	0.00
County	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

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

Small scale Irrigation and Value Addition Project (SIVAP)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0.00	0.00	0.00	0.00	0.00
Transfers to lower levels of government	0.00	0.00	0.00	0.00	0.00
Miscellaneous payments	0.00	0.00	0.00	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2017/18
	KShs	KShs
Bank accounts (Note 8.13A)	595,833.65	54,573
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	<u>595,833.65</u>	54,573

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

8.13. A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No. 100387831]	367,811.85	90,943.35
Central Bank of Kenya [A/c No. 100387618]	228,021.80	125,588.35
Central Bank of Kenya [A/c No. 1000297239]		
Central Bank of Kenya [A/c No. 1000289918]		
Total local currency balances	<u>595,833.65</u>	<u>216,798</u>
Total bank account balances	<u>595,833.65</u>	<u>216,798</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2018 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

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

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

8.13. B Cash In Hand

Location 1	0.00	0.00
Location 2	0.00	0.00
Location 3	0.00	0.00
Other locations (<i>specify</i>)	0.00	0.00
Total cash balances	<u>0.00</u>	<u>0.00</u>

[Provide a cash count certificate for each location above]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.13. C Cash equivalents (short-term deposits)

	2019/20	2018/19
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	0.00	0.00
Co-Operative Bank of Kenya [A/C No.....]	0.00	0.00
Others (<i>Specify</i>)	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>

8.14. OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
				0.00	4,566,650
Total				<u>0.00</u>	<u>4,566,650</u>

8.15. FUND BALANCE BROUGHT FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank accounts	54,574.00	50,018,319.95
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	0.00	0.00
Outstanding imprests and advances	4,566,650.00	3,763,700.00
Total	4,621,224.00	53,782,019.95

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.16. PRIOR YEAR ADJUSTMENT

	2019/20	2018/19
	KShs	KShs
Bank accounts	0.00	0.00
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	0.00	1,084
Receivables - Outstanding Imprests	0.00	0.00
Total	<u>0.00</u>	<u>1,084</u>

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11. OTHER IMPORTANT DISCLOSURES

9.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	2019/20	2018/19
	KShs	KShs
Construction of buildings	0.00	0.00
Construction of civil works	0.00	0.00
Supply of goods	0.00	0.00
Supply of services	0.00	0.00
	0.00	0.00

9.2 PENDING STAFF PAYABLES (See Annex 2B)

	2019/20	2018/19
	KShs	KShs
Project Employees	12,685,000	0.00
	0.00	0.00
	0.00	0.00
	0.00	0.00
	0.00	0.00

9.3 OTHER PENDING PAYABLES (See Annex 2C)

	2019/20	2018/19
	KShs	KShs
Amounts due to National Government entities	0.00	0.00
Amounts due to County Government entities	0.00	0.00
Amounts due to third parties	0.00	0.00
Others (<i>specify</i>)	0.00	0.00
	0.00	0.00

***Small scale Irrigation and Value Addition Project (SIVAP)
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12. 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)
SIVAP/2018/(1)	Accuracy and completeness of the financial statements	Un-explained difference and other inaccuracy.	Gerald Kurema Principal Accountant	Resolved	
SIVAP/2018/(2)	Payment to M/s Ecosite development consultants without deducting retention fee of ksh,964,279.52	No explanation has been given for the omission	Principal Accountant	Resolved	The management have explained that 5% is not applicable and it was erroneously included in the contract. Both management shall meet and rectify the with an addendum. To be reviewed in 2018/2019 financial year audit
SIVAP/2018/(3)	Outstanding Imprest	Outstanding imprest of ksh.3,763.700 not disclosed.	Principal Accountant	Resolved	The issue has already been resolved.
SIVAP/2018/(4)	Cash and cash equivalent	The statement of financial assets	Principal Accountant	Resolved	

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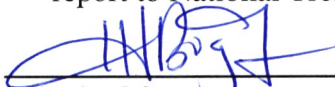
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		reflects a bank balance of ksh,50,018,319 as at June 30 th 2018. The bank reconciliation statements, support documents and bank confirmation certificate for the year ended 30 th June 2018 were not availed for audit verification.	Gerald Kurema		
SIVAP/2018/(5)	Failure to provide accounting documents and other records	Approved project budget, cash books, and reconciliation	Gerald Kurema Principal accountant	Resolved	
SIVAP/2018/(6)	No-disclosure of pending bills	Pending bills in regard to supply of desktops	Gerald Kurema Principal accountant	Resolved	
	Misclassification of pending bills	Laptops and laptops bag amounting to kshs.1,194,000 misclassified as purchase of goods and services	Gerald Kurema Principal accountant	Resolved	
	Lack of asset register	The project does not maintain Fixed asset register	Gerald Kurema Principal accountant	Resolved	To be confirmed in Audit year 2019/2020
	Lack of Risk register	Failure to address risk management framework, risk register, risk and policy	Gerald Kurema Principal accountant	resolved	This will be reviewed in the year 2019/2020

***Small scale Irrigation and Value Addition Project (SIVAP)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		implementation of the same .			

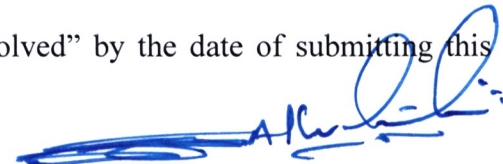
Guidance Notes:

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



Principal Secretary

Date 3



Project Coordinator

25/11/2020
Date

*Small scale Irrigation and Value Addition Project (SIVAP)
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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
RECEIPTS					
Transfer from Government entities	34,302,200	12,418,789	21,883,411	36.2%	Budget under funding
Proceeds from domestic and foreign grants	94,052,109	55,815,609	38,236,500	59.3%	Budget under funding
Loan from external development partners	386,609,730	385,981,768	627,962	99.8%	Budget under funding
Proceeds from AIA	-	-	-	0.0%	
TOTAL RECEIPTS	514,964,039	454,216,166	60,747,873		
PAYMENTS					
Compensation of employees	12,512,000	6,525,000	5,987,000	52.1%	Lack of exchequer
Purchase of goods and services	171,259,039	135,297,674	35,961,365	79.0%	Lack of exchequer
Social security benefits	-	-	-	0.0%	
Acquisition of non-financial assets	331,193,000	316,418,882	14,774,118	95.5%	Lack of exchequer
Transfers to other government entities	-	-	-	0.0%	
Other grants and transfers and payments	-	-	-	0.0%	
TOTAL PAYMENTS	514,964,039	458,241,556	56,722,483		

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2018/19 (a)	*Purchases/ Additions in the Year (KShs) 2019/20 (b)	**Disposals in the Year (KShs) 2019/20 (c)	Transfers in/(out) Kshs 2019/20 (d)	Closing Cost (KShs) 2019/20 (e)=(a)+(b)-(c)+(-)d
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment,					
Other Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Infrastructure assets roads, rails					
Intangible assets					
Work in Progress					
Total					

Notes

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

**Small scale Irrigation and Value Addition Project (SIVAP)
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*** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.*

***Small scale Irrigation and Value Addition Project (SIVAP)
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APPENDICES

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

*Small scale Irrigation and Value Addition Project (SIVAP)
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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2020	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						

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ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

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

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ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

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

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Statement of Budget Performance
For the year ended June 30, 2019*

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

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

Notes

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

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

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

APPENDICES

- v. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- vi. Bank Reconciliations
- vii. Cash Count Certificate
- viii. Special Deposit Account(s) reconciliation statement(s)

