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THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR LIVESTOCK

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



**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
STATE DEPARTMENT FOR LIVESTOCK**

REPORTS AND FINANCIAL STATEMENTS

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

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

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Department of Livestock together with State Department of Agriculture and State Department of Fisheries were merged to form Ministry of Agriculture Livestock and Fisheries all under the Cabinet Secretary who is in charge with an overall goal for Agriculture sector to achieve innovative, commercially oriented and competitive agriculture supported by the sector strategic objectives of creating an enabling environment for agricultural development, increased productivity, increased food and nutrition security, increased access to markets, institutional reforms and increased youth involvement in Agriculture.

(b) Principal Activities

Mandate: The mandate of the State Department of Livestock is to promote, regulate and facilitate livestock production for socio-economic development and industrialisation.

Vision: A sustainable and prosperous livestock sector

Mission: To promote sustainable development of livestock sector by creating a favourable policy and legal framework and provide services that increase productivity, value addition and improved incomes for the livestock farmers

Objective: The overall objective for the department is to develop sustainable diversified integrated production systems for increased agricultural productivity, food security and incomes in Kenya.

(c) Key Management

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

- Cabinet Secretary Office
- Principal Secretary Office
- Directorate of Veterinary Services
- Directorate of Livestock Policy Research and Regulation
- Directorate of Livestock Research and Market Development

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Principal Secretary	Harry Kimtai
2.	Director of Administration	Lorna Odera
3.	Director Veterinary Services	Dr.Obadiah Njagi
4.	Director Livestock Production	Julius Kiptarus

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(e) Fiduciary Oversight Arrangements

Audit and Finance Committee Activities

- Conduct Risk Analysis
- Auditing all items of expenditure
- Implementing measures to mitigate risks
- Review audit matters

Finance Committee Activities

- Monitoring utilization of budget
- Periodic reporting to Accounting office
- Aligning expenditure to voted provision.
- Reviewing the supplementary budget
- Preparing MTEF budget

Parliamentary Committee Activities

- Scrutinizes the MTEF Budget and makes recommendations
- Approves the Key projects to be financed in the budget
- Reviews budget policy statement
- Approves the appropriation bill
- Approves itemised budget estimates for implementation during the financial year.

Development Partners

- International Development Association- World Bank
- International Fund for Agricultural Development
- United Nations Development Programmes

(f) Entity Headquarters

P.O. Box 34188-00100
Kilimo House
Cathedral Rd.
Nairobi, Kenya

(g) Entity Contacts

Telephone: (254) 020-2716665/2716708/2718872
E-mail: ps@livestock.go.ke
Website: www.kilimo.go.ke

(h) Entity Bankers

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

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(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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II. FORWARD BY THE CABINET SECRETARY

Kenya's development agenda is defined in the Kenya Vision 2030, the Third Medium Term Plan (2018-2022), the "Big Four" Agenda and the Sustainable Development Goals (SDGs) among other national and international policies and obligations. During the period under review the government has prioritized implementation of the "Big Four" agenda namely: food and nutrition security; universal health care; industrialization, agro-processing and manufacturing; and affordable housing with livestock sector significantly contributing in the achievement of the national food and nutrition security. The sub sector contributes to SDGs No. 2 on ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture.

The animal resource industry contributes 12 per cent of the national Gross Domestic Product (GDP) (IGAD, 2011 report) with livestock production contributing about 4.1 per cent of the GDP (KNBS, Economic Survey 2019). The livestock sub-sector is a source of food and nutrition security, household incomes and employs 50 per cent of the agricultural labour force. It also provides raw materials for agro-based industries. Kenyans living in the Arid and Semi-Arid Lands (ASALs) derive their livelihood largely from livestock while in the high rainfall areas, dairy farming is critical for livelihoods of the rural population and the national economy.

The State Department for Livestock (SDL) derives its mandate from the Executive Order No. 1 of 2018. Its mandate is to promote, regulate and facilitate livestock industry for socio-economic development. It implements functions in livestock policy management; development of livestock industry; veterinary services and disease control; range development and management; livestock marketing; promotion of quality hides and skins; promotion of dairy industry; livestock insurance policy; livestock branding; and promotion of beekeeping. It is also oversees the running of training institutions and Semi-Autonomous Government Agencies (SAGAs) under its purview.

During the financial year 2018/2019, the SDL implemented the Livestock Resources Management and Development Programme with focus on five (5) sub-programmes namely; Livestock Policy Development and Capacity Building; Livestock Production and Management; Livestock Products Value Addition and Marketing; Food Safety and Animal Products Development; and Livestock Diseases Management and Control. During the 2018/19 FY, the SDL was allocated Kshs 2,163,533,786 for Recurrent Expenditure and Kshs 3,941,852,201 for Development Expenditure. The resources allocated for the period under review was Kshs 6,926,385,987 while expenditure was Kshs 6,097,730,343.45 resulting to an absorption rate of 88%.

The key achievements during the period under review included creation of enabling policy and legal environment for livestock development through finalization review of National Livestock Policy and finalized Veterinary Policy forwarded to the Cabinet for approval; development of Livestock Insurance Policy was initiated; Foot and Mouth Disease strategy was developed. Livestock Bill, Leather Strategy and Livestock Identification and Traceability System (LITS) strategy development was initiated while draft Dairy Industry regulations were finalized. The Strategic Plan for the State Department for Livestock was also finalized and is awaiting publication. To strengthen institutions

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capacity in livestock training institutions, facilities were rehabilitated to enhance training which included completion of construction and equipping of a hostel facility at Dairy Training Institute (DTI). In addition, 750 skilled manpower graduated with Certificate and Diploma from livestock training institutions. To transfer skills to graduate youth, 823 interns in animal health programmes were engaged aimed at improved veterinary services.

To enhance livestock production and management, 24 premises on animal genetic resources namely 3 semen production; 1 embryo production transfer facility and 20 semen distribution facilities were inspected to ensure compliance with standards. To increase national semen production capacity, Bull Station in ADC Kitale was equipped and operationalized. To enhance smallholder dairy commercialization, 1,096 dairy groups were trained in organization, enterprise, dairy production and marketing skills. To cushion pastoral communities in ASAL against climate change hazards and drought, 90,060 Tropical Livestock Units were supported through livestock insurance scheme covering 18,012 households in 8 ASAL counties. In addition, to improve pastoral resilience in 14 ASAL counties, 4 livestock yards were constructed/ rehabilitated, 6 boreholes drilled and 6 hay storage structures were established.

To support livestock value addition, marketing and reduction of post harvest losses, a total of 193 bulk milk coolers with accessories were distributed to the assessed sites that had met the laid down conditions (cumulatively 263 milk bulking and cooling equipment). In addition, dairy groups were supported with dairy enterprise grants amounting to Kshs 40 million to support their commercialization activities. To enhance food safety for foods of animal origin and animal products, 22 livestock processing facilities (export slaughterhouses, milk export processing plants and animal feeds processing and storage facilities) were inspected. Inspection of animal and animal products was strengthened in 13 points entry. To enhance compliance with set standards, 926 veterinary service delivery facilities were inspected while 1,023 practitioners in veterinary medicines outlets were assessed on compliance. To enhance safety on milk and milk products, 3,517 milk handling premises were inspected and 5,826 milk samples were analyzed for quality.

To strengthen animal disease control in the country, 50.47 million doses of assorted vaccines were produced. To enhance reduction of livestock disease incidence, operations in 13 points of entry were strengthened. This is in addition to 69,855 samples of animal disease were analyzed.

The achievement of the above outcomes was, however, faced with a number of challenges. These include austerity measures; lengthy procurement processes especially where no objection was a requirement for donor funds; settling of overrun expenditure and pending bills; occasional litigations on tender awards; insufficient exchequer releases; delayed uploading of budgeted development funds in the IFMIS; and occasional access failure of IFMIS system hindering timely transactions.

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In order to address the challenges, the State Department operationalized the Budget Implementation Committee (BIC) and Project Implementation Committee. The spending units were sensitized on implementation and adherence to Public Procurement and Asset Disposal Act of 2015 and adherence to the approved annual work plans, budget and procurement plans. To enhance professionalism in the management of the tendering processes, officers were trained on integrity and quality assurance. In addition, monitoring and evaluation was enhanced to facilitate a more informed decision making process and ensuring that collective measures are timely undertaken.

I wish to thank the Principal Secretary for the State Department for Livestock, Mr. Harry Kimtai, for his leadership, policy guidance and ensuring the funds were applied for the purposes they were budgeted for. I also thank all the staff for their commitment to duty and stakeholders who partnered with us in various aspects.

Signed: _____

Hon. Peter Munya, MSH

Cabinet Secretary,

Ministry of Agriculture, Livestock, Fisheries and Co-operatives

Date: _____

30/01/2020

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III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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


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


The Accounting Officer in charge of the State Department for Livestock accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Livestock further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

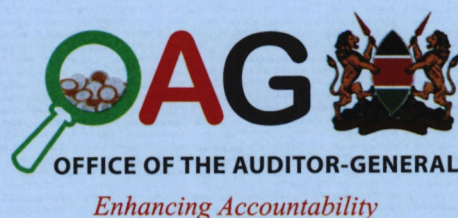
The entity's financial statements were approved and signed by the Accounting Officer on 22nd January 2019.


Principal Secretary
Name: Mr. Harry Kimtai Kachuwai


Assistant Accountant General
Name: CPA Zuwena Zainabu
ICPAK Member Number: 5395

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR LIVESTOCK FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Livestock set out on pages 9 to 30, which comprise the statement of financial position as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation-recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Livestock as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Cash and Cash Equivalents

1.1. Differences Between the Cashbook Balances and Balances reflected in the Financial Statements

The statement of financial position reflects cash and cash equivalents balance of Kshs.52,776,057, which as disclosed in Notes 12A and 12B to the financial statements includes amounts of Kshs.52,659,770 and Kshs.116,287 relating to bank and cash balances, respectively. A review of the respective cash books and bank reconciliation statements during the year and as at 30 June, 2019, revealed differences between amounts reflected in the cash books and balances reported in the financial statements as detailed below:

Bank Account	Balance as per the Financial Statements Kshs.	Balance as per the Cash Book Kshs.	Variance Kshs.
Recurrent Account No.1000210109	26,510,799	24,059,403	2,451,396
Development Account No.1000209957	964,180	892,935	71,245
Deposits Account No.1000212632	25,184,792	25,494,077	309,285

These differences between the cash book balances and the balances reflected in the financial statements were not explained.

1.2. Long Outstanding Reconciling Items

The bank reconciliation statements as at 30 June, 2019 had long outstanding balances across the three accounts that had not been resolved as at the time of audit as summarized below:

Type of Account	Payments in Cash Book not in the Bank Statement	Receipts in the Bank Statement not in Cash Book	Payments in the Bank Statement not in the Cash Book	Receipts in the Cash Book not Recorded in the Bank Statement
Recurrent	8,517,091	93,900,289	75,667,492	-
Development	13,534,700	1,750,219	10,108,180	6,260,798
Deposit	270,670	1,240,895	800,000	50,924
Total	22,322,461	96,891,403	86,575,672	6,311,722

Further, included in the recurrent account bank reconciliation statement are receipts in bank not in the cash book amounting to Kshs.93,900,289, which differs with the supporting schedule amount of Kshs.89,199,000 by Kshs.4,701,289 which has not been reconciled or explained.

In addition, the development bank reconciliation statement includes under payments in the cash book not in the bank statement amounts described as balancing overcast, amounting to Kshs.53,751, and receipts in cash book not in the bank statement amounts totalling Kshs.2,415,535 and described as either overcasts or under casts. No reason was given for failure to have the old reconciling items investigated and cleared from the bank reconciliation statement

Although the State Department uses the Integrated Financial Management Information System (IFMIS), all its cash books for the year ended 30 June, 2019 were manual and prone to errors, inaccuracies and possible manipulations of figures and balances brought forward in subsequent months. It was noted that some of the reconciling items related to un-remitted or overdue taxes owed to the Kenya Revenue Authority, which attracts fines and penalties.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.52,776,057 as at 30 June, 2019 could not be confirmed.

2. Unauthorized Reallocation of Expenditure

Audit review of accounts analysis and ledger reports revealed that expenditure totalling Kshs.101,367,909 relating to the various items were charged to construction and civil works and purchase of specialized plant, machinery and equipment although they did not qualify to be charged as such.

Further, the State Department incurred expenditure totalling Kshs.12,500,000 on consultancy services and Kshs.3,000,000 on production of Sustainable Land Management (SLM) documentary and charged item 2211000 on specialized material and supplies instead of item 2211300 on other operating expenses and item 2210500 on printing, advertising, information supplies and services respectively.

Further, a review of the development appropriation account revealed that the State Department for Livestock charged expenditure in respect of the Big 4 Agenda under account code 1003, which had been defined for Mainstreaming Sustainable Land Management (SLM) in Agro-Pastoral Land Project, a project which had ended and whose account code should have been closed.

No satisfactory reasons were given for the misallocation of the expenditures.

3. Unsupported Accounts Receivables

The statement of financial position reflects a balance of Kshs.640,290,011 under accounts receivables - outstanding imprests. As disclosed in Note 13 to the financial statements, the balance includes an amount of Kshs.8,563,194, described as clearance account, which was neither supported with documentary evidence nor analyzed.

Consequently, the accuracy of the accounts receivable balance of Kshs.640,290,011 could not be confirmed.

4. Unsupported Accounts Payables- Deposit and Retentions

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.25,184,792 under accounts payables - deposit and retentions. The balance, however, differs with the amount reflected in the Trial Balance of Kshs.73,687,382, resulting in an unexplained variance of Kshs.48,502,590. In addition, the balance of Kshs.25,184,792 excluded retention fee for various contractors totalling Kshs.3,508,464.

In the circumstances, the accuracy and completeness of account payables - deposit and retentions balance of Kshs.25,184,792 as at 30 June, 2019 could not be ascertained.

5. Unsupported Expenditure

The statement of receipts and payments reflects an expenditure of Kshs.1,580,215,899 under acquisition of assets which includes an amount of Kshs.5,000,000 relating to acquisition of a tractor at the Rabbit Institute. Although the tractor was physically verified at the Institute, the related procurement documents including invoice, delivery note, payment voucher and log book were not provided for audit review. Further, Agricultural

Machinery and Equipment acquired at Kshs.4,000,000 was similarly not supported with any procurement documents.

In addition, the expenditure of Kshs.1,580,215,899 also includes an amount of Kshs.3,669,763 expended at the Isiolo Mobile Pastoral Training Field Station under purchase of certified seed, breeding stock and live animals. However, no documentary evidence was provided to show how the amount had been spent.

6. Acquisition of Assets

6.1. Lack of Fixed Assets Register

The State Department for Livestock, with its directorates and various stations did not maintain a fixed asset register for its assets to record necessary information such as date of acquisition, type of asset, condition, cost, accumulated depreciation, net book value and location in respect of the assets owned. In addition, the State Department did not take an inventory of the fixed assets as at 30 June, 2019. Consequently, the existence, completeness and accuracy of the fixed assets balance of Kshs.2,101,091,150 as at 30 June, 2019 could not be ascertained.

6.2. Additions During the Year

The statement of receipts and payments reflects an amount of Kshs.1,580,215,899 under acquisition of assets. However, this amount differs with the additions, during the year figure of Kshs.1,422,705,999 as disclosed in Annex 2 to the financial statements. The difference of Kshs.157,509,900 between the two sets of records was not reconciled or explained.

7. Ineligible Expenditure

A review of the State Department for Livestock payment documents revealed that, on 18 June, 2019, a firm was paid Kshs.4,835,234 vide payment voucher number 0674 under the Standard and Market Access Programme. However, the expenditure was later found and deemed to be ineligible according to the provisions of the financing agreement between the European Commission and the Government of Kenya. The State Department did not get value for money for the avoidable expenditure of Kshs.4,835,234 incurred.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Livestock 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 qualified opinion.

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. There were no key audit matters to report in the year under review.

Other Matter

1. Pending Bills

As disclosed under Note 17.1 and Annex 1 to the financial statements, the State Department for Livestock had pending bills totalling Kshs.95,966,300 as at 30 June, 2019 that were not settled during the year 2018/2019 but were instead carried forward to 2019/2020. Failure to settle bills during the year in which they relate to distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they have to be charged.

2. Failure to Close the Mainstreaming Sustainable Land Management Project

As previously reported, the project management unit of the Mainstreaming Sustainable Land Management in Agro-Pastoral Production Systems of Kenya Project indicated that the above project came to an end in June, 2017 and that the handing over documents were signed by the Director, Livestock Production and sent to the United Nations Development Programme (UNDP) for signature. A review of the audit report for the year ended 30 June, 2017 showed that the project had pending bills amounting to Kshs.5,110,830 as well as a balance of Kshs.821,799.50 held in the project bank accounts. However, no approved final project completion and handing over report was provided for audit review. Consequently, it has not been possible to confirm the project's completion status.

3. Land Without Ownership Documents

As reported in the previous years, the Government, through Gazette Notice No. 890 dated 5 March, 1957, allocated 1,400 acres of land in Ngong, Kajiado County, to the Department of Veterinary Services for construction of a veterinary training school, establishment of a veterinary farm and installation of related facilities. However, information and documents available indicates that the land measures 1,500 acres.

Further, information and records at the Ministry of Agriculture, Livestock, Fisheries and Irrigation and Ministry of Land and Physical Planning indicates that some Government agencies and private organizations have irregularly taken possession of 509 acres of the land. The State Department has to-date not obtained title of ownership of the land from the Ministry of Lands and Physical Planning.

In addition, information available indicates that the State Department for Livestock owns 124,000 hectares of land comprising Isiolo Mobile Pastoral Training Field Station in Isiolo County as of 30 June, 2019. However, ownership documents were not made available for audit review.

In the above circumstances, the ownership, actual size and value of these pieces of land could not be confirmed.

4. Pending Legal Litigation

As reported in the previous years, a review of legal files revealed that the State Department for Livestock has had two protracted legal suits which has led to significant outstanding bills and contingent liabilities compounded by huge interests and penalties. The two cases are summarized as follows:

4.1 Halal Meat Products Limited

Halal Meat Products Limited vs Ministry of Agriculture, Livestock, Fisheries and Irrigation: State Department for Livestock- High Court Civil Case No.1655/1986 whose court determination amounted to Kshs.5.242 billion and out of court negotiations final amount of Kshs.4 billion after a cap on interests. However, contract documents for Halal Meat Product Limited were not provided for audit review.

4.2 Associated Architects

Associated Architects Vs Ministry of Agriculture, Livestock, Fisheries and Irrigation: State Department for Livestock – High Court Civil Case No. 488/2013 whose accrued interest balance is Kshs.25 million. The contract agreement provided for audit review dated 4 February, 2009 indicate that M/s Associated Architects was awarded a contract through direct procurement for consultancy services on construction of Mifugo House for the Ministry of Livestock Development at a contract sum of Kshs.84,505,999.99. However, it is not clear, and no satisfactory explanation was provided on why the consultant should be paid the contract sum, yet no construction was under taken.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Completion of a Biosafety Level 3 Laboratory

The Directorate of Veterinary Services entered into a contract with a contractor on 12 February, 2016 for construction of a Biosafety Level 3 Laboratory at Kabete Veterinary Farm at a contract sum of Kshs.69,012,866. The project's initial completion date was 20 December, 2016 which was subsequently revised to 30 May, 2018. However, as at the time of the field inspection in September 2019, the works had not been completed and handed over to the State Department for Livestock. No satisfactory reason was given for failure to complete the works within the period stipulated in the contract.

2. Delay in Completion of Kitchen and Dining Block at AHITI – Nyahururu

The State Department for Livestock through AHITI- Nyahururu awarded a contract to a contractor for the construction of a kitchen and dining block at a sum of Kshs.39,638,476. The construction works started on 14 December, 2016 and were to be completed within a duration of about 28 weeks on 28 June, 2017. However, at the time of the field inspection in September 2019, the progress report availed indicated that the project was 61.5% complete. Electrical installations, plumbing, fittings and other finishing works were yet to be done and construction had stalled.

3. Weakness in Imprest Management and Controls

A review of the manual imprests register revealed that some officers in the State Department had consistently taken imprests amounting to Kshs.78,390,720 during the year under review, which were sometimes overlapping and multiple in nature contrary to Regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, 2015. The Regulation requires that before issuing a temporary imprest to an officer, the Accounting Officer should ensure that the applicant has no outstanding imprests.

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, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Enterprise-Wide Risk Management (ERM) Policy and Process

During the year under review, the State Department for Livestock did not have a well-documented enterprise wide-risk management policy and process in place to effectively guide the State Department's risk management processes at large.

2. Non- Functional Audit Committee

Although the State Department for Livestock constituted an Audit Committee, the committee did not convene or hold regular meetings during the year. No minutes of the

Audit Committee were provided for audit review to confirm that the internal audit unit's annual work plan and reports were tabled and discussed by the Audit Committee.

3. Incomplete Ledger Details - Payee and Description

The statement of receipts and payments reflects expenditure totalling to Kshs.6,097,730,343 for the year 2018/2019. However, the account analysis/ledger report generated from IFMIS and provided to support each individual expenditure item lacked details of payees and in some cases, there was no proper payment description against the payments made. In the circumstances, the risk of multiple payments to a payee or an individual for the same services, supplies, goods or works could not be ruled out.

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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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 and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of State Department for Livestock 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 State Department to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

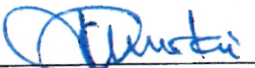
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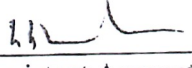
STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019 Kshs	2017-2018 Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	-	365,615,463
Transfers from National Treasury	2	5,677,656,334	10,187,253,314
Proceeds from Foreign Borrowings	3	790,070,000	733,592,214
Proceeds from Sale of Assets	4	13,287,877	9,355,233
TOTAL REVENUES		6,481,014,211	11,295,816,224
PAYMENTS			
Compensation of Employees	5	1,630,382,701	1,567,658,576
Use of goods and services	6	2,209,008,329	3,013,499,458
Transfers to Other Government Units	7	637,465,900	5,312,212,500
Other grants and transfers	8	40,657,515	67,250,425
Acquisition of Assets	9	1,580,215,899	1,106,493,864
Other Expenses	10	-	4,068,297
Social Security Benefits	11	-	6,460,138
TOTAL PAYMENTS		6,097,730,343	11,077,643,258
SURPLUS/DEFICIT		383,283,867	218,172,966

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 22nd January 2020 and signed by:


Principal Secretary
Name: Mr. Harry Kimtai Kachuwai



Assistant Accountant General
Name: CPA Zuwena Zainabu
ICPAK Member Number: 5395


STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

VI. STATEMENT OF FINANCIAL POSITION

	Note	2018-2019 Kshs	2017-2018 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	52,659,770	15,684,906
Cash Balances	12B	116,287	528,465
Total Cash and cash equivalent		52,776,057	16,213,371
Accounts receivables	13		
Clearance account		8,563,194	-
Outstanding Imprests		1,260,000	5,122,265
Salary Advance		101,460	-
District Suspense		1,680,525	12,027,942
Project Account		628,684,832	266,647,060
TOTAL FINANCIAL ASSETS		693,066,069	300,010,638
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	14	25,184,792	15,413,228
NET FINANCIAL ASSETS		667,881,277	284,597,410
REPRESENTED BY			
Fund balance b/fwd	15	284,597,410	66,424,445
Prior year adjustment		-	-
Surplus/Deficit for the year		383,283,867	218,172,966
NET FINANCIAL POSITION		667,881,277	284,597,410

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 22nd January 2020 and signed by:


Principal Secretary
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Assistant Accountant General
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STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

VII. STATEMENT OF CASH FLOWS

	2018-2019 Kshs	2017-2018 Kshs
Receipts for operating income		
Proceeds from Domestic and Foreign Grants	1 -	365,615,463
Exchequer Releases	2 5,677,656,334	10,187,253,314
Payments for operating expenses	5,677,656,334	10,552,868,777
Compensation of Employees	5 (1,630,382,701)	(1,567,658,576)
Use of goods and services	6 (2,209,008,329)	(3,013,499,458)
Transfers to Other Government Units	7 (637,465,900)	(5,312,212,500)
Other grants and transfers	8 (40,657,515)	(67,250,425)
Other Expenses	10 -	(4,068,297)
Social Security Benefit	11 -	(6,460,138)
	4,517,514,445	9,971,149,394
Adjusted for:		
Change in Receivables	(356,492,744)	(219,482,587)
Change in Payables	9,771,564	(2,294,306)
Adjustments during the year		
Net cash flow from operating activities	813,420,709	359,942,490
CASHFLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets	4 13,287,877	9,355,233
Acquisition of Assets	9 (1,580,215,899)	(1,106,493,864)
Net cash flows from Investing Activities	(1,566,928,022)	(1,097,138,631)
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Foreign Borrowings	3 790,070,000	733,592,214
Net cash flow from financing activities	790,070,000	733,592,214
NET INCREASE IN CASH AND CASH EQUIVALENT	36,562,686	(3,603,927)
Cash and cash equivalent at BEGINNING of the year	12 16,213,371	19,817,299
Cash and cash equivalent at END of the year	12 52,776,057	16,213,371

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 22nd January 2020 and signed by:


Principal Secretary
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Assistant Accountant General
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STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019


VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	3,941,636,737	2,163,749,250	6,105,385,987	5,677,656,334	- 427,729,649	93%
Proceeds from Foreign Borrowings	1,318,000,000	518,000,000	800,000,000	790,070,000	- 9,930,000	99%
Proceeds from Sale of Assets	10,500,000	10,500,000	21,000,000	13,287,877	- 7,712,123	63%
Total Receipts	5,270,136,737	1,656,249,250	6,926,385,987	6,481,014,211	- 445,371,772	94%
PAYMENTS						
Compensation of Employees	933,752,748	743,949,998	1,677,702,746	1,630,382,701	- 47,320,045	97%
Use of goods and services	1,783,347,801	785,518,011	2,568,865,812	2,209,008,329	- 359,857,483	86%
Transfers to Other Government Units	492,727,500	144,738,400	637,465,900	637,465,900	-	100%
Other grants and transfers	50,405,000	399,900	50,804,900	40,657,515	- 10,147,385	80%
Acquisition of Assets	2,009,903,688	18,357,059	1,991,546,629	1,580,215,899	- 411,330,730	79%
Grand Total	5,270,136,737	1,656,249,250	6,926,385,987	6,097,730,344	- 828,655,643	88%

The entity financial statements were approved on 22nd January 2020 and signed by:



Principal Secretary
Name: Mr. Harry Kimtai Kachuwai



Assistant Accountant General
Name: CPA Zuwena Zainabu
ICPAK Member Number: 5395

**Reports and Financial Statements
For the year ended June 30, 2019**

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utiliza tion f=d/c %
RECEIPTS						
Exchequer releases	977,895,817	1,185,637,969	2,163,533,786	2,163,532,875	911	100%
Proceeds from Domestic Borrowings	-	-	-	-	-	0%
Proceeds from Foreign Borrowings	-	-	-	-	-	0%
Proceeds from Sale of Assets	10,500,000	10,500,000	21,000,000	13,287,877	7,712,123	63%
Total Receipts	988,395,817	1,196,137,969	2,184,533,786	2,176,820,752	7,713,034	100%
PAYMENTS						
Compensation of Employees	743,949,998	743,949,998	1,487,899,996	1,452,036,858	35,863,138	98%
Use of goods and services	182,269,043	252,798,991	435,068,034	420,080,774	14,987,260	97%
Transfers to Other Government Units	49,727,500	144,738,400	194,465,900	194,465,900	-	100%
Other grants and transfers	405,000	399,900	804,900	804,890	10	100%
Acquisition of Assets	12,044,276	54,250,680	66,294,956	62,515,374	3,779,582	94%
Grand Total	988,395,817	1,196,137,969	2,184,533,786	2,129,903,796	54,629,990	97%

The entity financial statements were approved on 22nd January 2020 and signed by:



Principal Secretary
Name: Mr. Harry Kimtai Kachuwai



Assistant Accountant General
Name: CPA Zuwena Zainabu
ICPAK Member Number: 5395

**Reports and Financial Statements
For the year ended June 30, 2019**

SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	2,963,740,920	978,111,281	3,941,852,201	3,514,123,463	427,728,738	89%
Proceeds from Foreign Borrowings	1,318,000,000	-	800,000,000	790,070,000	9,930,000	99%
Proceeds from Sale of Assets	-	-	-	-	-	0%
Total Receipts	4,281,740,920	460,111,281	4,741,852,201	4,304,193,463	437,658,738	91%
PAYMENTS						
Compensation of Employees	189,802,750	-	189,802,750	178,345,843	11,456,907	94%
Use of goods and services	1,601,078,758	532,719,020	2,133,797,778	1,788,927,555	344,870,223	84%
Transfers to Other Government Units	443,000,000	-	443,000,000	443,000,000	-	100%
Other grants and transfers	50,000,000	-	50,000,000	39,852,625	10,147,375	80%
Acquisition of Assets	1,997,859,412	72,607,739	1,925,251,673	1,517,700,525	408,500,745	79%
Grand Total	4,281,740,920	460,111,281	4,741,852,201	3,967,826,548	- 744,025,653	84%

The entity financial statements were approved on 22nd January 2020 and signed by:



Principal Secretary

Name: Mr. Harry Kimtai Kachuwai



Assistant Accountant General

Name: CPA Zuwena Zainabu

ICPAK Member Number: 5395

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

X. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the State Department for Livestock. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

1. Smallholder Dairy Commercialization Programme (SDCP)
2. Standards and Market Access Programme (SMAP)
3. Regional Pastoral Livelihood Resilience Project
4. Livestock Value Chain Project

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

3. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

• Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

SIGNIFICANT ACCOUNTING POLICIES

- **Transfers from the Exchequer**

Transfers from the exchequer are 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.

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

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

b) Recognition of payments

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

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

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

- **Interest on Borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES

- **Repayment of Borrowing (Principal Amount)**

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

- **Acquisition of Fixed Assets**

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

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

4. **In-kind contributions**

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

5. **Third Party Payments**

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

6. **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.

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2019, this amounted to Kshs 25,184,792 compared to Kshs 15,413,228 in prior period as indicated on note 14.

There were no other restrictions on cash during the year.

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

SIGNIFICANT ACCOUNTING POLICIES

7. 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 are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

8. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

9. 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 Entity 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.

10. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1st July 2018 to 30th June 2019 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government 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.

11. Comparative Figures

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

SIGNIFICANT ACCOUNTING POLICIES

12. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2019.

13. 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.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

14. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

STATE DEPARTMENT FOR LIVESTOCK
 Reports and Financial Statements
 For the year ended June 30, 2019

XI. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2018-2019	2017-2018
			Kshs	Kshs
Grants Received from Multilateral Donors (International Organisations)				
EU			-	365,615,463
Total			-	365,615,463

Project: SMAP

Source: EU

Purpose: Support to KEPHIS

2 EXCHEQUER RELEASES

Description	2018-2019	2017-2018
	Kshs	Kshs
Total Exchequer Releases for quarter 1	968,520,105	1,960,267,626
Total Exchequer Releases for quarter 2	994,969,375	2,833,274,872
Total Exchequer Releases for quarter 3	2,067,011,130	2,664,057,150
Total Exchequer Releases for quarter 4	1,647,155,724	2,729,653,666
Total	5,677,656,334	10,187,253,314

Budgeted Exchequer 6,105,385,987

Received exchequer 5,677,656,334

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM FOREIGN BORROWINGS

	2018-2019	2017-2018
	Kshs	Kshs
Foreign Borrowing - Direct Payments	790,070,000	733,592,214
Total	790,070,000	733,592,214

100,000,000-Project: SDCP

Source: IFAD.

Purpose: To increase the income of the poor rural households that depends substantially on production and trade of dairy products for their livelihoods

100,000,000 - Project: RPLRP

Source: World Bank IDA.

Purpose: Building resilience with alternative livelihood among pastoral communities

590,070,000 Livestock Value Chain Project

4 PROCEEDS FROM SALE OF ASSETS

	2018-2019	2017-2018
	Kshs	Kshs
Receipts from Sale of Certified Seeds and Breeding Stock		
Receipts from the Sale of Inventories, Stocks and Commodities	13,287,877	9,355,233
Total	13,287,877	9,355,233

5 COMPENSATION OF EMPLOYEES

	2018-2019	2017-2018
	Kshs	Kshs
Basic salaries of permanent employees	795,603,442	793,598,723
Basic wages of temporary employees	396,028,609	356,576,947
Personal allowances paid as part of salary	438,750,650	417,482,906
Total	1,630,382,701	1,567,658,576

STATE DEPARTMENT FOR LIVESTOCK
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Utilities, supplies and services	35,983,904	34,654,307
Communication, supplies and services	28,025,592	16,359,666
Domestic travel and subsistence	419,843,956	318,007,297
Foreign travel and subsistence	59,269,676	25,930,521
Printing, advertising and information supplies & services	37,106,860	28,576,898
Rentals of produced assets	114,646,355	50,972,287
Training expenses	232,157,491	316,577,475
Hospitality supplies and services	49,525,940	19,498,112
Insurance costs	266,862,029	254,853,630
Specialized materials and services	699,714,150	1,627,637,529
Office and general supplies and services	40,842,913	25,507,478
Fuel Oil and Lubricants	64,424,766	79,164,317
Other operating expenses	94,290,745	149,720,922
Routine maintenance – vehicles and other transport equipment	38,910,774	42,037,185
Routine maintenance – other assets	27,403,176	24,001,835
Total	2,209,008,329	3,013,499,458

7 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018-2019	2017-2018
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
Current Grants	194,465,900	4,341,290,000
Capital grants	443,000,000	970,922,500
	637,465,900	5,312,212,500

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

Description	Recurrent	Development	Total	2017-2018
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Kenya Dairy Board	36,215,900	-	36,215,900	60,900,000
Kenya Veterinary Board	24,990,000	80,000,000	104,990,000	44,600,000
Kenya Meat Commission	97,000,000	85,000,000	182,000,000	222,500,000
Agricultural Development Corporation	-	100,000,000	100,000,000	137,500,000

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Kenya Veterinary Vaccines Production(KEVEVAPI)	-	178,000,000	178,000,000	385,672,500
Veterinary Medicine Directorate	36,260,000	-	36,260,000	36,800,000
Kenya Genetic Resource Centre(KAGRC)	-	-	-	31,000,000
Kenya Tsetse & Trypanosomiasis Eradication Council(KENTTEC)	-	-	-	139,500,000
Kenya Agricultural and Livestock Research Organisation(KARLO)	-	-	-	4,253,740,000
Transfers to Projects-GoK counterpart funding				
Smallholder Dairy Commercialization Programme(SDCP)				
Standards and Market Access Programme(SMAP)				
Mainstreaming Sustainable Land Management in Agro pastoral Land(SLM)				
Regional Pastoral Livelihood Resilience Project				
Non Profit Non Governmental Organisation				
TOTAL	194,465,900	443,000,000	637,465,900	5,312,212,500

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

8 OTHER GRANTS AND TRANSFERS

Explanation	2018-2019	2017-2018
	Kshs	Kshs
Other Current grants and transfers	804,890	0
Other Capital grants and transfers	39,852,625	67,250,425
Total	40,657,515	67,250,425

9 ACQUISITION OF ASSETS

Non Financial Assets	2018-2019	2017-2018
	Kshs	Kshs
Construction of Buildings	9,499,997	83,445,805
Refurbishment of Buildings	6,504,416	14,208,861
Construction and Civil Works	398,996,971	321,693,250
Overhaul and Refurbishment of Construction and Civil Works	35,185,777	8,760,797
Purchase of Vehicles and Other Transport Equipment	76,387,346	33,555,600

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Overhaul of Vehicles and Other Transport Equipment	792,020	538,590
Purchase of Household Furniture and Institutional Equipment	4,179,537	71,940
Purchase of Office Furniture and General Equipment	34,926,222	8,748,786
Purchase of Specialized Plant, Equipment and Machinery	936,630,025	457,597,704
Rehabilitation and Renovation of Plant, Machinery and Equip.	695,721	35,553,313
Purchase of Certified Seeds, Breeding Stock and Live Animals	73,368,021	131,440,334
Research, Feasibility Studies, Project Preparation and Design, Project Supervision	2,793,796	10,878,884
Rehabilitation of Civil Works	256,050	
Total	1,580,215,899	1,106,193,864

10 OTHER EXPENSES

Explanation	2018-2019	2017-2018
	Kshs	Kshs
Membership Fees and Dues and Subscriptions to International Organizations	-	4,068,297
Total	-	4,068,297

11 SOCIAL SECURITY BENEFITS

Explanation	2018-2019	2017-2018
	Kshs	Kshs
Government Pension and Retirement benefits	-	6,460,138
Total	-	6,460,138

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development , deposit e.t.c	Exc rate (if in foreign currency)	2018-2019	2017-2018
				Kshs	Kshs
<i>Central Bank of Kenya,1000210109</i>	Ksh	Recurrent		26,510,799	263,658
<i>Central Bank of Kenya,1000209957</i>	Ksh	Development		964,180	8,020
<i>Central Bank of Kenya,1000212632</i>	Ksh	Deposit		25,184,792	15,413,228
Total				52,659,770	15,684,906

12B: CASH IN HAND

	2018-2019	2017-2018
	Kshs	Kshs
Cash in Hand – Development	16,119	16,119
Cash in Hand – Recurrent	68	412,246
Cash in Hand – Deposit	100,100	100,101
Total	116,287	528,465

Cash in hand should also be analysed as follows:

	2018-2019	2017-2018
	Kshs	Kshs
SDL Cash Office-Development	16,119	16,119
SDL Cash Office-Recurrent	68	412,246
SDL Cash Office-Deposit	100,100	100,101
Total	116,287	528,465

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2018-2019	2017-2018
	Kshs	Kshs
Government Imprests	1,260,000	5,112,265
District suspense	1,680,525	12,027,942
Project Account	628,684,832	266,647,060
Clearance Account	8,563,194	
Salary advance	101,460	
Total	640,290,011	283,797,267

Government Imprests

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		Kshs	Kshs	Kshs
<i>Claudio Mwang'at Sortum</i>	11/02/2019	675,000	-	675,000
<i>Catherine N. Kimanthi</i>	15/2/2018	172,800	0	172,800
<i>Emily N. Boro</i>	6/3/2018	381,400	0	381,400
<i>John Kibe Macharia</i>	30/9/2017	30,800	0	30,800
Total		1,260,000		1,260,000

14. ACCOUNTS PAYABLE

Description	2018-2019	2017-2018
	Kshs	Kshs
Deposits	25,184,792	15,413,228
Total	25,184,792	15,413,228

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. FUND BALANCE BROUGHT FORWARD

Description	2018-2019	2017-2018
	Kshs	Kshs
Bank accounts	15,684,906	19,473,596
Cash in hand	528,465	343,702
Accounts Receivables-Imprests and Advances	5,122,265	28,923,073
-District Suspense	12,027,942	35,397,607
-Project Account	266,647,060	-
Accounts Payables	15,413,228	(17,707,534)
Total	284,597,411	66,424,445

16. RELATED PARTY DISCLOSURES

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

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

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

Related party transactions:

	2018/2019	2017/2018
	Kshs	Kshs
Transfers to other State Corporations and Semi-Autonomous Government Agencies	637,465,900	5,312,212,500
Transfers to Government Development Projects		-
	=====	=====

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17. OTHER IMPORTANT DISCLOSURES

17.1: PENDING ACCOUNTS PAYABLE (See Annex I)

Description	2018 – 2019		2017 – 2018	
	Kshs		Kshs	
Construction of Buildings	-		14,300,000	
Construction of civil works	7,016,300		-	
Supply of goods	88,950,000		81,682,204	
Supply of services	-		403,121,067	
	95,966,300		499,103,271	

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18. 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)
Paragraph 447	<p>LAND</p> <p>As previously reported in 2013/2014, the Government, through Gazette Notice No. 890 dated 5 March 1957, allocated 1,400 acres, of land in Ngong, Kajiado County, to the Ministry for the construction of a veterinary training school, a veterinary farm, and related activities. Information and documentation availed indicate that the land measures 1,500 acres. The Ministry has not provided explanation on the difference of 100 acres. Further information and records availed at</p>	<p>A preliminary study by Ministry of Lands and Physical planning established that the acreage of the parcel is 1485.6 acres. Title processing is in progress.</p>	<p>Director Veterinary services</p>	<p>Not Resolved</p>	<p>Title processing in progress</p>

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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)
	<p>the Ministries of Agriculture, Livestock and Fisheries and that of Lands, Housing and Urban Development indicate that some Government agencies and private organizations have irregularly taken possession of 509 acres. In addition, the Ministry has to date not obtained a title deed for the land. In the circumstances, it is not possible to confirm the extent of impairment of the value of the land, if any, due to the encroachment by Government agencies and private Institutions</p>				


 Principal Secretary


 Assistant Accountant General

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
	A	B	c	d=a-c		
Construction of civil works						
1. ZIYALE INVESTMENTS	7,016,300		-	7,016,300		Lack of Exchequer
Sub-Total	7,016,300		-	7,016,300		
Supply of goods						
2. PALWAC ENTERPRISES	7,500,000		-	7,500,000		Lack of Exchequer
3. ANDRICOM ENTERPRISES	12,850,000		-	12,850,000		Lack of Exchequer
4. SERINDA AGENCIES LIMITED	18,500,000		-	18,500,000		Lack of Exchequer
5. FRIBA LIMITED	18,600,000		-	18,600,000		Lack of Exchequer
6. TREASURE CENTRE SUPPLIERS	19,600,000		-	19,600,000		Lack of Exchequer
7. DAMAKIM VENTURES	5,500,000		-	5,500,000		Lack of Exchequer
8. RAIA INVESTMENTS	6,400,000		-	6,400,000		Lack of Exchequer
Sub-Total	88,950,000			88,950,000		
Grand Total	95,966,300			95,966,300		

REGISTER

Asset class	Historical Cost b/f (Kshs) 2017/2018	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/out during the year	Historical Cost c/f (Kshs) 2018/2019
Transport equipment	34,094,190	77,179,336	-	-	111,273,526
Office equipment, furniture and fittings	501,971,743	35,105,759	-	-	537,077,502
Buildings and Structures	-	396,845,271	-	-	396,845,271
Machinery and Equipment	-	837,413,816	-	-	837,413,816
Certified Seeds, Breeding Stock and Live Animals	131,440,334	73,368,021	-	-	204,808,355
Intangible assets	10,878,884	2,793,796	-	-	13,672,680
Total	678,385,151	1,422,705,999			2,101,091,150

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ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY STATE DEPARTMENT FOR LIVESTOCK

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Smallholder Dairy Commercialization Programme (SDCP)	To increase the income of poor rural households that depend substantially on production and trade of dairy products for their livelihood.	Harry Kimtai Kachuwai	Yes
2	Standards and Market Access Programme(SMAP)	To enhance market access and competitiveness of Kenya's animal and plant based products, through greater adoption of relevant international standards and improved regulation and enforcement in the country.	Harry Kimtai Kachuwai	Yes
3	Regional Pastoral Livelihood Resilience Project	To contribute to ending drought emergencies in the Horn of Africa by building resilience of pastoral and agro-pastoral communities against drought effects	Harry Kimtai Kachuwai	Yes

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ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER STATE DEPARTMENT FOR LIVESTOCK

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliation done?(yes/no)
1	Kenya Dairy Board	To regulate, promote and develop dairy industry in Kenya	Harry Kimtai Kachuwai	Recurrent 36,215,900 Development 80,000,000	Yes
2	Kenya Veterinary Board	To exercise general supervision and control over the training, business, practice and employment of veterinary surgeons and veterinary paraprofessionals in Kenya.	Harry Kimtai Kachuwai	Recurrent 24,990,000 Development 80,000,000	Yes
6	Kenya Meat Commission	Providing a ready market for livestock farmers and providing high quality meat and meat products to consumers	Harry Kimtai Kachuwai	Recurrent 97,000,000 Development 85,000,000	Yes
7	Agricultural Development Corporation	To promote sustainable agricultural development and reconstruction in Kenya by initiating. Assisting and expanding agricultural undertakings and enterprises through production and supply of quality seed, livestock, technological transfers and training in a sustainable and affordable manner.	Harry Kimtai Kachuwai	Development 100,000,000	Yes
8	Kenya Veterinary Vaccines	To produce safe, efficacious	Harry Kimtai		Yes

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	Production(KEVEVAPI)	and affordable veterinary vaccines through undertaking research, providing information, marketing and distribution for improvement of the livestock industry.	Kachuwai	Development 178,000,000	
9	Veterinary Medicine Directorate		Harry Kimtai Kachuwai	Recurrent 36,260,000	Yes

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ANNEX 5- REPORTS GENERATED FROM IFMIS

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

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