

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY
REPORT

**OF
THE AUDITOR-GENERAL**

ON

DEMONSTRATION FARM FUND KISII

**FOR THE YEAR ENDED
30 JUNE, 2023**

PAPERS LAID	
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	-
CLERK AT THE TABLE	Carolynne Cherop



DEMONSTRATION FARM FUND KISII

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

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

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

(Leave this page blank)

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

Table of Content

1.Acronyms and Glossary of Terms	iii
2.Key Entity Information and Management	iv
3.Board of Management	viii
4.Management team	xi
5.Board chairpersons report	xii
6.Report of The Fund Administrator	xiii
7.Statement of Performance Against the County Fund’s Predetermined Objectives	xv
8.Cooperate governance statement	xvii
9.Management Discussion and analysis	xix
10.Environmental and Sustainability Reporting	xx
11.Report of The Trustees	xxiii
12Management responsibility	xxiv
13.Report of The Independent Auditor on the Financial Statements for Demonstration Farm Fund Kisii	xxv
14.Statement of Financial Performance for the Year Ended 30 th June 2023	1
15.Statement of Financial Position As at 30 June 2023	2
16.Statement Of Changes in Net Assets for the year ended 30 th June 2023	3
17.Statement of Cash Flows for The Year Ended 30 June 2023	4
18.Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30 June 2023	5
19 Notes to the Financial Statements	6
20. Annexes	24

1. Acronyms and Glossary of Terms

a) Acronyms

AGPO	Access to Government Procurement Oppoutunities.
ATC	Agricultural Training Centre
ATVET	Agriculture Technical Vocational Education and Training.
BOM	Board of Management
CEC	County Executive Committee.
DFE	Demonstrations Farm Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
SLDP	Strategic Leadership Development Program.
SMC	Senior Management Course.

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility
*Provide a list of Acronyms and Key terms used in the financial report as per above example.
The list to be exhaustive)*

2. Key Entity Information and Management

a) Background information

The Demonstration Farm Fund is established by and derives its authority and accountability from Exchequer and Audit Act, Cap 412 Laws of Kenya through Legal Notice No 456 of 16th November 1990. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The fund's objective is to provide funds for running of the commercial enterprises at ATC's on a revolving basis with the ultimate goal of making the ATC's self-sustaining

The Fund's principal activity is to provide funds for developing and running of the commercial enterprises at ATC's.

b) Principal Activities

The principal activity is to train farmers on modern farming

Vision

The Vision of the Agricultural Training Centres is "To be centres of excellence for Agri-business incubation and training of farmers/pastoralist/aquaculturist and other stakeholders".

Mission

The Mission of the Agricultural Training Centres is "To train farmers/pastoralists/aquaculturalists and other stakeholders on relevant agricultural technologies, innovations and skills through teaching, demonstrations, agri-business incubation, provision of training facilities and germplasm on a sustainable basis".

Mandate/Scope

Agricultural Training Centres are vital training institutions whose functions include regular short term class training sessions, farm demonstrations and outreach activities in a defined catchment area.

Objectives

The overall objective of ATCs is to provide quality training services and facilities for enhancing agriculture and development.

Specific objectives for ATCs are:

- (a) To improve access to agricultural technologies, innovations and Information;
- (b) Provide quality training facilities for agricultural development;
- (c) Promotion of sustainable land use and conservation of natural Resources;
- (d) Promote household food security;
- (e) To provide improved germplasm to users
- (f) Promote value-addition and utilization of agricultural produce; and
- (g) Promote commercialization of agricultural enterprises.

Functions

The following are the core functions of ATCs:

- (a) To offer residential and non-residential (including outreach) training on relevant technologies backed with practical demonstrations;

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

- (b) To provide training facilities to farmers and other stakeholders involved in Agriculture and development;
- (c) To maintain a model farm for training purposes and for demonstration to Stakeholders in agriculture;
- (d) To provide facilities for and participate in carrying out adaptive on-farm as well as national performance trials of relevant technologies;
- (e) To serve as bulking centres of plant materials, multiplication of livestock and fingerlings for farmers and conservation of germplasm;
- (f) To generate revenue for self-financing of commercial activities;
- (g) To provide incubation for viable agri-business to stakeholders and tailor made ATVET hands on skills and knowledge.



The primary clientele include small scale farmers and pastoralists who form the bulk of the Kenyan farming community.

A key component of a complete ATC mandate is operation of a model farm enterprise in which the skills imparted through training are actualized and provided as evidence to farmers to adapt in their farms.


A recent function of ATCs is to act as bulking and multiplication centres for improved production materials for crop and livestock as well as germplasm conservation.

Further, the ATCs are to promote Agri-business through business incubation for individuals, the youth, women and other groups involved in agricultural enterprises for the locally produced commodities. This entails providing facilities for value addition and capacity building for the Small and Medium Enterprises (SMEs).

c) Key Management team

Ref	Name	Position
1	Mr. Wilfred Nyamwega 	<ul style="list-style-type: none">• Chief officer Agriculture & Cooperative Development• Holds a Bachelor of commerce.• Worked as a banker in management for over 20 years.
2	Benson Mutiso Mulei 	<ul style="list-style-type: none">• Board secretary/Principal Kisii ATC• Born in 10/10/1965• Holds BSC in horticulture from Egerton University.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

			<ul style="list-style-type: none"> • Trained in SMC and SLDP among other professional and managerial trainings. • 30years of experience in extension and management in the department of agriculture
3	Mr. John 	Nyandanyi	<ul style="list-style-type: none"> • Deputy Director Finance/Fund Accountant • Born 10/11/1974 • Career civil servant with an experience of 25years. • Holds a Masters degree in Finance, CPA(K) and a member of ICPAK. • Trained in SMC and SLDP.

d) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Nicodemus Karori
2	Internal Audit	Dennis Mosomi

e) Registered Offices

P.O. Box 4550
Municipal Building
Kisii-Keroka Road

f) Fund Contacts

Telephone: (254) 582030005
E-mail: ifo@kisii.go.ke
Website: www.kisii.go.ke

g) Fund Bankers

Kenya Commercial Bank
Kisii Branch
P.O. Box 476-40200
Kisii

h) Independent Auditors

Auditor General
Office of the Auditor General

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

i) Principal Legal Adviser






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

j) County Attorney

Kisii county attorney
P.O BOX 4550-40200
Kisii

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

3. Board of Management




PICTURE/NAME	Details of qualifications and experience
 Astariko Atika	<ul style="list-style-type: none"> • Board chairman • He was born on 30/12/1952. • He holds a Diploma in administration • He is a certified public accountant and Farmer. • Retired civil servant with an experience of 30years. • Served as ECK chairman-Bomachoge for 5 years.
 Rachael Segita	<ul style="list-style-type: none"> • Vice chair of the board • Born on 12/8/1984. • Holds a Diploma business administration. • Large scale vegetable farmer and supplier for over 10 years. • Youth representative. • Community leader.
 Ronald Onduso	<ul style="list-style-type: none"> • Board member. • Born on 15/8/1973. • Holds Diploma in environmental Science • Community leader. • He is a commercial sugarcane farmer • Served as an elected member of Kisii County Assembly: 2013-2017
 John Kibagendi	<ul style="list-style-type: none"> • Member of the board • Born in 1950 • Qualifications - O'level • Career farmer and business man.
 Dorcus Nyagacha	<ul style="list-style-type: none"> • Board member • Born in June 1961. • Qualification O'level • Career farmer and business woman

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

 <p>Christopher Bichage</p>	<ul style="list-style-type: none"> • Community leader. • Board member • Born on 25/3/1947 • Retired civil servant with an experience of 30years. • Certified public accountant. • Accountant by profession • He is an outstanding dairy farmer and milk marketer.
 <p>Stanley Ogechi</p>	<ul style="list-style-type: none"> • Board member. • Born on 22/8/1948. • Retired teacher with a teaching experience of 30years. • Farmer and community leader.
 <p>Casper Nyaribo</p>	<ul style="list-style-type: none"> • Board member • Born on 24/7/1985. • Holds Diploma in education. • Career teacher with an experience of 10years and farmer. • Youth representative in the board.
 <p>Mellen Maake</p>	<ul style="list-style-type: none"> • Board member. • Born in 1959. • Qualification O'level • Career farmer and business woman for over 40 years. • Community leader.
 <p>Ezekiel Ondari</p>	<ul style="list-style-type: none"> • Board member • Born in 1987. • Qualification O'level • Career farmer and business woman and Famer • Represents persons living with disability.
 <p>Benson Mutiso Mulei</p>	<ul style="list-style-type: none"> • Board secretary/Principal Kisii ATC • Born in 10/10/1965 • Holds BSC in horticulture from Egerton University. • Trained in SMC and SLDP among other professional and managerial trainings. • 30years of experience in extension and management in the department of agriculture.




Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

 <p>Nathan Soire</p>	<ul style="list-style-type: none"> • He was born in 1960 • Director agriculture serves in the board as a member by virtue of his position. • 35 years of experience in extension and management. • Qualification Bsc and Msc Agric & Extension • Trained in SMC and SLDP.
<p>Hon. Elijah Obwori</p> 	<p>CEC. Agriculture, livestock, Fisheries & Cooperative Development.</p>
<p>Mr. Wilfred Nyamwega</p> 	<ul style="list-style-type: none"> • Chief officer Agriculture & Cooperative Development • Holds a Bachelor of commerce. • Worked as a banker in management for over 20 years.

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

4. Management Team

Ref	Name	Position
1	Mr. Wilfred Nyamwega 	<ul style="list-style-type: none">• Chief officer Agriculture & Cooperative Development• Holds a Bachelor of commerce.• Worked as a banker in management for over 20 years.
2	Benson Mutiso Mulei 	<ul style="list-style-type: none">• Fund administrator/Principal Kisii ATC• Born in 10/10/1965• Holds BSC in horticulture from Egerton University.• Trained in SMC and SLDP among other professional and managerial trainings.• 30years of experience in extension and management in the department of agriculture
3	Mr. John Nyandanyi 	<ul style="list-style-type: none">• Deputy Director Finance/Fund Accountant• Born 10/11/1974• Career civil servant with an experience of 25years.• Holds a Masters degree in Finance, CPA(K) and a member of ICPAK.• Trained in SMC and SLDP.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

5. Board/Fund Chairperson's Report

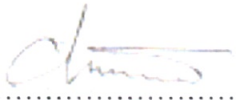
During the year under review the board had changes in the key management team with the CECM finance appointing a new fund administrator, Mr.Benson Mutiso Mulei, a senior assistant director of agriculture replacing Mrs.Dorice Ombuna.

The new fund administrator was inducted on his new roles.

The Kisii County Government supported the following projects to improve performance of the institution; kitchen renovation, Sewer line upgrading, Cabro paving on the ATC road (70m x 5m), perimeter wall masonry fence and supply of dairy materials, machinery and equipment for improved farm operations.

The Fund realised remarkable improvement in revenue collection as compared to the revenue target and the expenditure indicating that there was value for money invested (return to investments). This was mainly attributed to commitment by the key management team in ensuring that resources were always available to undertake the intended activity as and when need arises. The team also put in place mechanisms to ensure that all revenue streams are tapped.

We look forward in ensuring that there is continuous improvement and that the objective of the fund is achieved.

Name: Astariko Otieno Atika Signature  Date 11/12/2023

6. Report of The Fund Administrator

The period under review saw a great improvement in terms of implementation of the fund's objective of training farmers and stakeholders through the partnerships with other stakeholders. Farmers open forums were conducted during the period attracting farmers entire County.

During the period under review, the fund realised remarkable improvement in revenue collection. This was mainly attributed to commitment by the management team in ensuring that resources were always available to undertake timely implementation of the planned activities targeting all revenue streams.

The revenue target for the period was about Kshs.14.5 million but the collection surpassed this projection by 19.4% to about Kshs.18 million. This was attributed to increased number of training and conference services offered during the period.

On the budget performance, there was 99.3% absorption and revenue performance of 124%.

A debt management strategy was put in place to collect outstanding debts which included working closely with CECM in charge of finance, constant follow ups to the debtors. Additionally the institution is working on the fund bill which will include debt management strategies and procedures.

The period also saw the fund contracting suppliers of goods and services through frame work contracting while observing AGPO regulations and sourcing of its suppliers from the local smallholder traders. This also served as a CSR in the community providing a local market for the locally produced commodities hence increased community incomes.

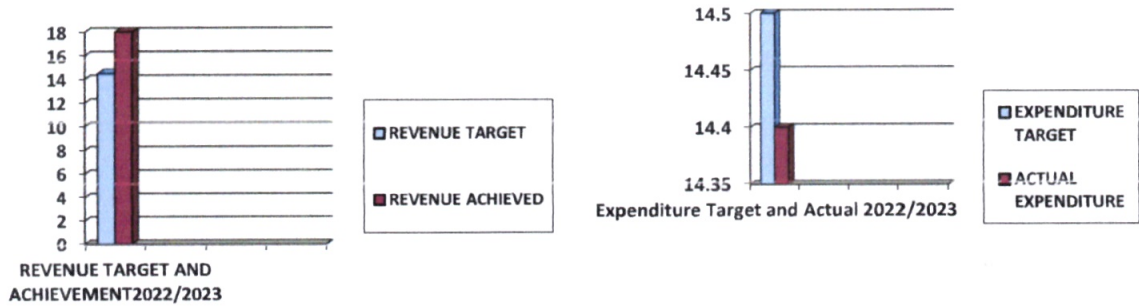
On environmental sustainability the institution developed a master plan to plant 100,000 trees to increase the forest cover and also act as a source of fuel and income, waste management through recycling agriculture, waste sorting into organic and inorganic and composting.

There was implementation and completion of some development projects being supported by the county government and development partners like modern zero-grazing unit, biogas plant, perimeter wall fencing, Kitchen renovation, Road cabro paving, sewer line improvement and supply of machineries and equipment to the farm for improved efficiency.

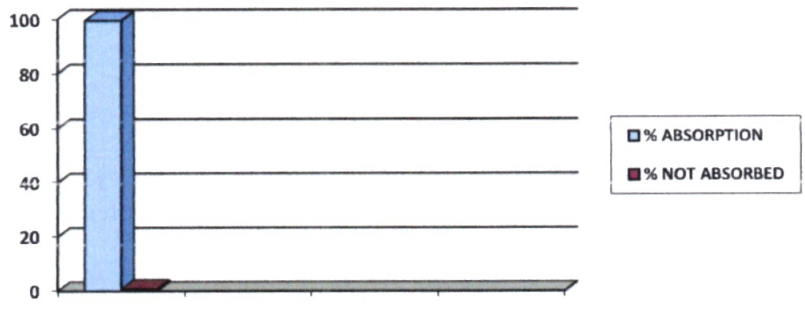
The major challenges faced included lengthy procurement process, slow disbursement of funds from the exchequer, delayed payments for services by clients, inadequate supply of water and high inflation rate.

We look forward in ensuring that there is continuous improvement and that the objective of the fund is achieved.

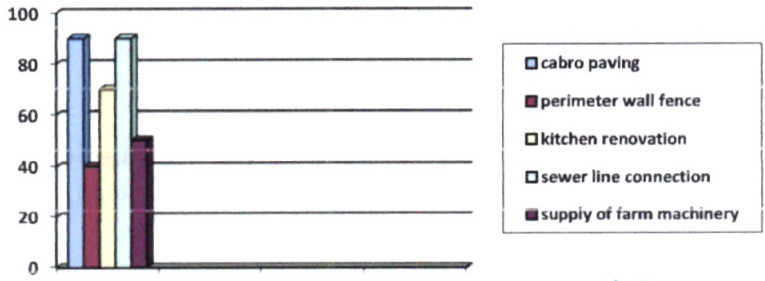
Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023



% Budget absorption rate



% completion of development projects



Name: Benson Mulei Signature..... *[Signature]* Date: 11/2/2023

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

7. Statement of Performance Against the County Fund's Predetermined Objectives

The key development objectives of the Fund as per the strategic plan for 2023-2027

- a) Provide resources for development and running commercial activities in the farm.
- b) provide resources for provision of quality training services and facilities for enhancing agriculture and development

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Perimeter fencing of the ATC	Improve farm security for enterprises. About 568m length to be covered.	Perimeter wall fence round the farm	Fence done	40% ongoing
Cabro paving of resource centre	Improved access to the ATC	Increased number of trainings	Cabros laid	70m by 5m completed.
Kitchen renovation	Improved efficiency at the kitchen	Increased trainings	Renovation done	ongoing
Construction of modern Zero grazing unit that can has a capacity of 10 animals	Increased milk production and reduced incidences of diseases and pests.	Increased dairy production .	Zero grazing unit with a capacity of 10 animals done	Requisitions and BQ done
Purchase of animals.	Purchase of 10 Pedigree dairy cows of Fresian breed	Improved quality of breeding stock Increased milk production	10 pedigree animals purchase	Requisitions

The major challenges experienced included but not limited to

1. Inadequate funds for program implementations
2. Slow disbursement of funds from the exchequer.
3. Slow procurement process that delayed the initiation stages.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

4. Inadequate water supply.
5. Delayed payment for services by the clients
6. Credit risks

8. Corporate Governance Statement

Board of management meetings held;

Date	Members Attendance	In attendance	Key activity
14/9/2022	14	1	Full board meeting
21/12/2022	13	3	Full board meeting
22/2/2023	15	3	Full board meeting
20/6/2023	14	4	Full board meeting

The board of management performs the following roles

- Link the KATC with the community within the county.
- Offer advisory services to enhance KATC management.
- Facilitate acquisition and safeguarding of KATC Properties.
- Encourage stakeholder participation in KATC programs.
- Market KATC products and services to public/local community.
- In Liaison with the department, mobilize resources from stakeholders and development partners.
- Review asset and security status of the ATC and make recommendations.

The board is appointed by the Kisii County Executive Committee member in charge of agriculture department for period 3year term renewable once.9 farmer representatives each from a sub county and 1 farmer representing people living with disability.

Qualification for appointment. The key qualification is being a practising farmer who is a role model from a particular sub-county .Other qualifications for appointment includes; O-Level academic qualification and above, ability to communicate in Kiswahili or English, high passion for agriculture, capacity to represent farmers and stakeholders interests, compliant with chapter six of the constitution of Kenya 2010 and gender equity.

The process of appointment of the board is initiated by the principal who is also the fund administrator at the end of the three-year term of the board or when the office of the board member falls vacant. The communication is addressed to the CEC in charge of agricultural functions.

For a smooth succession, the board members are appointed for 3-year term that is renewable so other members are always reappointed after the first 3-year term to offer guidance to the new

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

members. The board secretary who is the principal and county director of agriculture serve in this committee by virtue of the office they hold and not tied to the three-year term of the board.

Induction and training: To enhance the capacity of the board members, every new Board undergoes an induction session. During such sessions, they get familiarized with the operations, assets, liabilities, development projects, proposed future plan and pending issues to be followed up by the board.

The board members also undergo trainings together with the other farmers to improve their agricultural skills so that they maintain their position as lead farmers from their respective sub-counties.

The fund has also organized for exchange programme to other Agricultural institutions where the board members have been able to interact and learn more from the other boards.

Conflict of interest. There has been no instance of conflict of interest between the funds and management.

Remuneration For every sitting the board chairman is paid an allowance of Kshs.5,000 and members Kshs.3,000.

Board charter. Currently there is a guideline that shows the appointment process, qualifications terms of service and roles. Going forward the board will develop a board charter which shall clearly spell out their roles, terms of office, competitive remuneration, and qualification for appointment, dismissal and working succession plan that will ensure continuity effective performance of the board.

9. Management Discussion and Analysis

During the year, the management held quarterly meetings for both board of management and technical management committee as required. There was no ad hoc meeting.

The fund achieved its objective of farmer training through the field day program, farm visits-extension and farmer open days that witness an improvement during the year under review.

During the period the fund was able to absorb over 99% of the budget and realized a profit margin of about 24% and therefore there was value for the funds invested.

Key development projections and investment plans were discussed during the board of management and agreed upon to improve the performance of the institution. Key among them include: acquisition of title deed, valuation of institution assets and completion of the on-going projects hostel, Kitchen renovation, fencing, cabro paving and modern zero grazing unit. Also discussed was Kisii ATC ATVET, station master plan, station maintenance, procurement of goods and services and annual DFF budgets

The percentage completion of projects being supported by the County Government of Kisii were as follows; Kitchen is about 70%, sewer line 90%, Fence is about 40%, supply of dairy machinery, materials and equipment is about 60% and cabro paving of the road is about 90%.

The modern zero grazing unit and biogas digester that was funded by Micro Enterprises Support Programme Trust (MESPT) were completed and handed over to the institution for use. All assets that had been supplied by MESPT to the institution were officially handed over.

The TVET program started in March with a class of 13 students learning: dairy management, poultry, horticultural nursery management and fish production. The classes were conducted for a period of 8 weeks. Support from the programme not yet released.

The fund also complied through payment of VAT by retaining 2% withholding tax from suppliers of bottled drinking water, sanitary services provided by Rentokil initial. All the staff working for the fund on full time basis complied with statutory obligations including tax, NSSF and NHIF payments. There was no case of statutory arrears for the fund.

The likely risks that faces the fund is credit risk even though the management has put a debt recovery strategy to ensure payment is done in time and if not so, follow ups are made to te debtors. Clients are also encouraged to make LSO commitments and a down payment of 50% before the service is rendered..

10.Environmental and Sustainability Reporting

The fund supports enterprises in the farm and the training section that requires casual labour that is mainly sourced from the neighbourhood like tea pickers, dairy attendants, farm attendants, training facilities maintenance thus hostels cleaning, as source of employment and income to many in the area mainly women and youth who work as farm attendants they are given piece meal work as per demand or need arise. This in turn has helped them be able to educate their children and pay for their health care.

The enterprises in the farm act as training sites for farmers in the region on modern agricultural technologies at zero cost. This has been a source of empowerment to the community hence improved family incomes and livelihoods.

On environmental conservation the institution has been in cooperating the environmental conservation aspects in their farmer trainings during the farmer open days such as planting of trees, use of conservation agriculture and climate smart technologies such as fireless, improved jikos in the kitchen, use of biogas, planting of trees

The institution initiated a program of tree planting to plant at least 100,000 trees to increase its forest cover and provide the institution with fuel wood and a source of income in the future.

The institution also trains its clients on value addition and agro processing through the fund. This has helped to improve nutrition and healthcare. This has also become a source of employment and income to the community.

To promote education for the local community the institution has established an ATVET as one of its programs to undertake full time training on agriculture for both the youth and practising farmers. This also boost their entrepreneurship skills thus get involved in agribusiness hence increased income among the farming community.

To improve on water sanitation and waste management; the institution has invested on water harvesting though still inadequate but the prospects are positive. The institution has also partnered with the county waste management team that helps in the collection and disposal of solid wastes. During the reporting period the institution constructed a new sewer line and connected it to the main county sewerage system for proper management of liquid wastes.

The institution has also partnered with private individuals who pick plastic bottles for re use.

The institution conducts annual staff training needs assessment and works closely with the Director Human Resource to for trainings.

During the period staff attended various trainings organized by stakeholders as well as the County Government.

1. Sustainability strategy and profile -

To ensure sustainability of the fund the management only invest into programs that have returns to the fund hence value for money.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

Enterprise choice and Commercialization of enterprises is a priority to ensure sustainability.

The institution also going to the future intends to venture into the money market and keep its capital reserves in terms of dollars to reduce challenges of economic meltdown.

Capacity building of staff and succession plan will be strengthened to ensure continuity and sustainability.

Environmental performance

Environmental protection and conservation is mainstreamed in all the institution activities and programmes including promotion of green energy, planting of trees, use of conservation technologies such as fireless, improved jikos in the kitchen

The institution initiated a program of tree planting to plant at least 100,000 trees to increase its forest cover and provide the institution with fuel wood and a source of income in the future

2. Employee welfare

The permanent employees of the institution are appointed by the Kisii County Public service board and posted and are transferable from time to time. Their appointments are done as per the employment and labour regulations in the country.

To improve on their performance there are always staff trainings that are organized through the county human resource department.

Staff welfare is taken care of through health care insurance, deduction and submission of statutory and personal obligations, organised counselling and guidance, rehabilitation programmes and generally creating an enabling working environment.

Several medical check-ups have also been organised by health service providers within the ATC.

4. Market place practices-

There is generally very few government institutions to provide similar services in the region and therefore there are no competitors except for the commercial hotels which are very expensive while the institution offers its hospitality services and farm products at government subsidized rates.

To maintain an edge over the private hotels the institution provides quality customer responsive services at considerable charges in a friendly environment.

The institution has a complaints and compliments box with a feedback mechanism to facilitate continual improvement

Local suppliers are engaged to promote local economy and business development.

5. Corporate Social Responsibility / Community Engagements

The fund supports enterprises in the farm and the training section that requires casual labour that is mainly sourced from the community.

They are also engaged in other development projects like construction and supply of materials and services through contractual arrangement.

The community also benefits from the farm produce like vegetables, fruits, milk and even dairy animals when sold either as curl or bull calves.

The institution also acts as a learning centre for the community as they are able to access technologies and innovations from the farm.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

Most of the students taking agriculture courses in tertiary institutions are also offered field attachment opportunities within the institution.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activity is to provide funds for developments and running of the commercial enterprises at ATCs

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1-5

Trustees

The members of the Board of Trustees who served during the year are shown on page viii-x.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to audit the Demonstration Farm Fund Kisii for the year/period ended June 30, 2023

By Order of the Board



.....

Chair of the Board/Fund Administration Committee

Date: 11/12/2023

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Demonstration Farm Fund Kisii shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

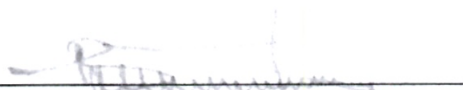
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Demonstration Farm Fund Kisii accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on __29th ,Sept,2023 and signed on its behalf by:



Administrator of the County Public Fund
BENSON MULEI

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON DEMONSTRATION FARM FUND KISII FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Demonstration Farm Fund Kisii set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net

Report of the Auditor-General on Demonstration Farm Fund Kisii for the year ended 30 June, 2023

assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 Demonstration Farm Fund Kisii as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Current Portion of Receivables from Exchange Transactions

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.9,061,150 which, as disclosed in Note 6 to the financial statements. However, the balance of Kshs.9,061,150 differs with the re-computed balance of Kshs.11,964,858 (see workings below), resulting in an unreconciled variance of Kshs.2,903,708.

Particulars	Amount (Kshs.)
Balance as at 30 June, 2022 - Statement of financial position	11,402,794
Add: Accrued income for the year - Note 1A	4,348,150
Total	15,750,944
Less: Receipts in cash from the previous period - Note 1B	(3,786,086)
Re-Computed Balance as at 30 June, 2023	11,964,858

Further, included in the receivables balance of Kshs.9,061,150 is transfers to County imprest account of Kshs.4,713,000 which has been outstanding since 25 July, 2018. However, the amount had not been refunded as at 30 June, 2023.

In addition, Management did not provide evidence of having put in place a formal debt management policy.

In the circumstances, the accuracy and recoverability of the current portion of receivables from exchange transactions balance of Kshs.9,061,150 could not be confirmed.

2. Lack of Ownership Documents on Land

The statement of financial position reflects property, plant and equipment balance of Kshs.1,810,150,292 which, as disclosed in Note 7 to the financial statements, includes

Report of the Auditor-General on Demonstration Farm Fund Kisii for the year ended 30 June, 2023

land balance of Kshs.1,600,000,000. Review of documents revealed that the part development plan was approved by the Ministry of Lands and Physical Planning on 19 July, 2021. However, the survey works to facilitate alienation and documentation of the land had not been finalized as at 30 June, 2023.

In the circumstances, the ownership of the parcel of land valued at Kshs.1,600,000,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Demonstration farm Fund Kisii 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 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.

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 matter 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

Irregular Operation of the Fund

As previously reported, the Fund was established through a Legal Notice No. 456 dated 19 November 1990 under exchequer and Audit Act, 412 (now repealed). The Act has since been replaced by Public Finance Management Act, 2012 and the Public Audit Act, 2015. Review of minutes of the Board dated 15 March, 2022 revealed that Management was issued with a license to convert the Fund into a Technical and Vocational Training Institute which had not been done as at the time of audit in December, 2023.

In the circumstances, Management was 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, based on the audit procedures performed, 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 of Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability 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 Fund 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 Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Fund's 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 controls.
- 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 Fund's ability 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 Fund to cease 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 Fund 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 controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2024

Report of the Auditor-General on Demonstration Farm Fund Kisii for the year ended 30 June, 2023

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

	Note	2022/2023	2021/2022
		KShs	KShs
Revenue from farm and training activities			
Revenue from farm and training	1A	18,072,087	26,303,188
Total revenue		18,072,087	26,303,188
Expenses			
Transfer to county account	2	0	2,000,145
General expenses	3	14,413,776	20,344,276
Depreciation	4	2,903,708	
Total expenses		17,317,484	22,344,421
Surplus/(deficit)for the period		754,603	3,958,767

(The notes set out on pages 6 to 27 form an integral part of these Financial Statements)

.....
Name: BENSON MULEI
Administrator of the Fund

.....
Name: JOHN NYANDANI
Fund Accountant : 13733
ICPAK Member Number:


Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

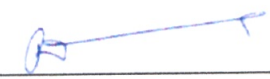
15. Statement of Financial Position As at 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs.
Assets			
Current assets			
Cash and cash equivalents	5	3,873,552	777,305
Current portion of long term receivables from exchange transactions	6	9,061,150	11,402,794
		12,934,702	12,180,099
Non-current assets			
Property, plant and equipment	7	1,810,150,292	1,812,954,000
Biological Assets	8	4,765,000	4,622,000
TOTAL		1,814,915,292	1,817,576,000
Total assets		1,827,849,994	1,829,756,099
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	9	0	0
Total liabilities		0	0
Net Assets		1,827,849,994	1,829,756,099
Capital Reserves		6,763,409	6,763,409
Revaluation Reserve		1,814,915,292	1,817,576,000
Accumulated Surplus		6,171,293	5,416,690
Total Net Assets and Liabilities		1,827,849,994	1,829,756,099

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 __29th Sept__ 2023 and signed by:



Administrator of the Fund
Name: Benson Mutiso Mulei



Fund Accountant
Name: John Nyandanyi
ICPAK Member Number:13733

Demonstration Farm Fund Kisii
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Capital reserve	Revaluation Reserve	Accumulated Surplus/Deficit	Total
	Kshs.	Kshs	Kshs	Kshs
Balance as at 1 July 2020	6,763,409	-	3,164,732	9,928,141
Deficit for the Period		-	(1,706,809)	(1,706,809)
Revaluation Gain		1,820,146,000		1,820,146,000
Balance as at 30 June 2021	6,763,409	1,820,146,000	1,457,923	1,828,367,332
Balance as at 1 July 2021	6,763,409	1,820,146,000	1,457,923	1,828,367,332
Surplus for the Period			3,958,767	3,958,767
Revaluation Loss		(2,570,000)		(2,570,000)
Balance as at 30 June 2022	6,763,409	1,817,576,000	5,416,690	1,829,756,099
Balance as at 1st July 2022	6,763,409	1,817,576,000	5,416,690	1,829,756,099
Surplus for the Period			754,603	754,603
Revaluation Loss/Gain		(2,660,708)		(2,660,708)
Balance as at 30 June 2023	6,763,409	1,814,915,292	6,171,293	1,827,849,994

Demonstration Farm Fund Kisii

Annual Report and Financial Statements for the year ended June 30, 2023

17.Statement of Cash Flows for The Year Ended 30 June 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts from Farm and Training activities	1A	18,072,087	20,818,237
Total Receipts		18,072,087	20,818,237
Payments			
Transfer to County account	2	0	2,000,145
General expenses	3	14,413,776	20,344,276
Depreciation	4	2,903,708	
Total Payments		17,317,484	22,344,421
		754,603	
adjusted for:			
Increase/Decrease in Receivables		2,341,644	
Increase/Decrease in payables		-	
Net cash flows from operating activities		3,096,247	-1,526,184
Net Increase/(Decrease) in Cash and Cash Equivalents		3,096,247	-1,526,183
Cash and Cash Equivalents at 1 July 2022		777,305	2,303,488
Cash and Cash Equivalents at 30 June 2023	5	3,873,552	777,305

18.Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30 June 2023

	Proposed Original budget	Adjustment s	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2022/2023	2022/23	2022/2023	2022/23	2022/2023	2022/23
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Income from Farm Produce and Training	14,511,200	-	14,511,200	18,072,087	3,560,887	124.53
Total income	14,511,200	-	14,511,200	18,072,087	3,560,887	124.53
Expenses						
General expenses	14,511,200	-	14,511,200	14,413,776	97,424	99.33
Total expenditure	14,511,200	-	14,511,200	14,413,776	97,424	99.33
Depreciation costs	-	-	-	2,903,708		
Total Expenditure				17,317,484		
Surplus				754,603		

Foot Notes*

1: The management budget is based on projections at the beginning of financial year. The projection maybe under or over achieved depending on clients demand However in case of over achievement the expenditure will be higher than the planned budget and the revenue will be equally hire and vice versa.

2*: The general expenses include both the hospitality and farm operation costs, VAT, fund administration costs and bank charges.

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

19. Notes to the Financial Statements

1. General Information

Demonstration Farm Fund Kisii entity is established by and derives its authority and accountability from Exchequer and Audit Act, Cap 412 Laws of Kenya through Legal Notice No 456 of 16th November 1990. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The Fund's principal activity is to provide funds for developing and running of the commercial enterprises at ATC's

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Demonstration Farm fund is established by and derives its authority and accountability from Exchequer and Audit Act, Cap 412 Laws of Kenya through Legal Notice No 456 of 16th November 1990ty is wholly owned by the Kisii County Government and is domiciled in Kenya.

3. Adoption of new and revised standards

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Standard	Effective date and impact
	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

(ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

b) Budget information

The original budget for FY 2023 was approved by the Board of Management on 22/6/2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded reduced appropriations of about Kshs.7Million on the FY 2023 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

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

d) Intangible Assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is

expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

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

h) Provisions

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

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g.

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

6. Notes to The Financial Statements

1. A. Income from Farm and training activities

Description	2022/2023	2021//2022
	Kshs	Kshs
Income from farm activities	1,735,250	18,892,158
Income from training activities	11,988,687	
Accrued income for the year- See note 6	4,348,150	3,902,800
Adjusted for Accrued income for 2020/2021 not recognized - See note 5		1,582,150
Total income	18,072,087	26,303,188

Note: Accruals basis of accounting recognizes both cash and credit incomes

1B: Income from Farm and training activities

Description	2022/2023	2021//2022
	Kshs	Kshs
Income farm activities.	1,735,250	26,303,188
Income from training activities	11,988,687	
Receipts in cash from previous period	3,786,086	
Accrued Income at the End of the Year	-	(3,902,800)
Accrued Incomes Omitted in the Prior Year FS		(1,582,150)
Total income	17,510,023	20,818,237

2. Transfer to County Account

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfer to County Account	0	2,000,145
Total	0	2,000,145

3. General expenses/Use of goods and services

Description	2022/2023	2021/2022
	Kshs	Kshs,
Farm operations and hospitality	9,593,261	13,974,873
Fund administration costs	4,794,000	6,357,190

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Bank Charges	8,649	12,213
	0	
Accrued expenses	0	
VAT	17,866	
Total	14,413,776	20,344,276

4. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Property Plant and Equipment	2,903,708	00
Total	2,903,708	00

5. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current account	3,873,552	777,305
Total cash and cash equivalents	3,873,552	777,305

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1106481267	3,873,552	777,305
Grand total		3,873,552	777,305

6. Receivables from exchange transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Receivables		
Transfer to county imprest account	4,713,000	4,713,000
Other exchange debtors	4,348,150	6,689,794
Total receivables from exchange transactions	9,061,150	11,402,794

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

7. Property, plant and equipment

Description	Land	Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	
At 1st July 2021	1,600,000,000	206,255,000	5,235,000	774,000	2,775,000	1,815,039,000
Additions	-	-	-	-	-	-
Revaluation	-	-	(1,075,000)	-	0	(1,075,000)
Depreciation	-	-	-	-	-	-
At 30th June 2022	1,600,000,000	206,255,000	4,160,000	774,000	1,765,000	1,812,954,000
At 1st July 2022	1,600,000,000	206,255,000	4,160,000	774,000	1,765,000	1,812,954,000
Additions	-	-	100,000	0	0	100,000
Revaluation	0	0	0	0	0	0
Depreciation	-	(2,903,708)	0	-	-	(2,903,708)
At 30th June 2023	1,600,000,000	203,351,292	4,260,000	774,000	1,765,000	1,810,150,292

Note: Buildings Comprise of Buildings and fittings, Site works and other infrastructure, Furniture

1,765,000=ict equipments

203,351,292=buildings,fittings/fixtures,siteworks/infrastructure,furniture.

775,000=kitchen and beddings

4,260,000=motor vehicle,plant and machinery.

8. Biological Assets

Cost	Biological Assets	Total
	Kshs	Kshs
At 1st July 2021	5,107,000	5,107,000
Additions	82,000	82,000
Disposals	-828,800	-828,800
Revaluation	261,800	261,800
At 30th June 2022	4,622,000	4,622,000
At 1st July 2022	4,622,000	4,622,000
Additions	78,000	78,000
Disposals	-67,000	-67,000
Revaluation	132,000	132,000
At 30th June 2023	4,765,000	4,765,000

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Note The value of fish and bees was included after stocking of fishpond and colonization of bee hives
2 Animals died, 2 bull calves sold

9. Trade and other payables from exchange transactions

Description	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	-	-
Total trade and other payables	-	-

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

Notes to The Financial Statements (Continued)

10. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Due from related parties

Description	Current 2022/2023	2021/2022
	Kshs	Kshs
Due From County Government	4,713,000	4,713,000
Total	4,713,000	4,713,000

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2023**

20. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
SNY/KISII DEM/2021/20 22/(11) 1	Inaccuracy in the annual report and financial statements	The management concurred with the Auditors observation and committed to amend the financial statement	Resolved Focal person: Fund accountant.	
SNY/KISII DEM/2021/20 22/(11) 2	Long out standing advance to Kisii County Executive	The management concurred with the observation and committed to do follow ups with the responsible officers.	Not resolved Focal person: CEC Finance	End of 2023/2024 F/Y
SNY/KISII DEM/2021/20 22/(11) 3	Property plant and equipment on lack of land ownership documents	The management concurred with the observation and committed to continue the processing of ownership documents that will be disclosed once it is ready	Not resolved Focal person; BoM Chairman	End of 2024/2025 F/Y

Fund Administrator Name: Benson Mutiso Mulei Signature..... 

Date..... 11/12/2023.....