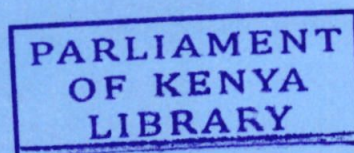


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

DEMONSTRATION FARM FUND KISII

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
DATE	6/13/2025
TABLED BY	Dep Maj Whip
COMMITTEE	
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Revised 30th June 2024



17 DEC 2024

DEMONSTRATION FARM FUND KISII

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2024**

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

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

Table of Content

1. Acronyms and Glossary of Terms	ii
2. Key Entity Information and Management	iii
3. The Board of Management	vii
4. Management Team	x
6.Report of The Fund Administrator	xii
7.Statement of Performance Against the County Fund’s Predetermined Objective	xv
10.Environmental and Sustainability Reporting	xx
11.Report of The Trustees	xxiii
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 2024	1
15.Statement of Financial Position as at 30 June 2024	2
16.Statement of Changes in Net Assets for the Year Ended 30 June 2024	3
17.Statement of Cash Flows for the Year Ended 30 June 2024	4
18.Statement Of Comparison Of Budget And Actual Amounts For The Period 2024	5
19. Notes to the Financial Statements	6
5..Progress on Follow up Of Auditor Recommendations	25

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

1. Acronyms and Glossary of Terms

a) Acronyms

AGPO	Access to Government Procurement Opportunities.
ATC	Agricultural Training Centre
ATVET	Agriculture Technical Vocational Education and Training.
BOM	Board of Management
CEC	County Executive Committee.
DFF	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/aqua culturist and other stakeholders".

Mission

The Mission of the Agricultural Training Centres is "To train farmers/pastoralists/aqua culturists 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.

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

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;
- (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).

(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

c) Key management team

Ref	Name	Position
1	<p style="text-align: center;">Agnes Choti</p> 	<ul style="list-style-type: none"> • Chief officer Agriculture & Cooperative Development • Holds a Bsc. in Agricultural Education and Extension. • Worked as a teacher for over 20 years.
2	<p style="text-align: center;">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
3	<p style="text-align: center;">Mr. John Nyandanyi</p> 	<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.

c) Fiduciary Oversight Arrangements

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

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

d) Registered Offices

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

e) Fund Contacts

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

f) Fund Bankers

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

g) Independent Auditors




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

h) 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, 2024







3. The Board of Management

PICTURE	Name	Position	Details of qualifications and experience
	Prof:Benson Mochoge	Chairman	<p>was born in September 1947</p> <p>Academic qualifications: B.Sc Agric from Deventer Agricultural College, the Netherlands in 1974; M.Sc. Agronomy in 1977 and Dr. Sc. Agric. in 1981 from the University of Goettingen, Germany. He obtained postgraduate Diploma on Higher Education and International Development in 1982 from the University of Kassel, Witzenhausen, Germany.</p> <p>Work experience: full professor in Agricultural Resources Management, in the School of Agriculture and Enterprise Development Kenyatta University. He was the founder and Chairman of the Department of Agricultural Resource Development (2008-2010), and co-founder of the School of Agriculture and enterprise Development, Kenyatta University.</p>
	Beatrice Moraa Nyautu	V/Chair	<p>Date of Birth 24/08/1975</p> <p>Academic qualifications:BED Arts(English/Lit)</p> <p>Work experience:Teaching for 25 years.</p>
	Prof:Samwel Maobe	Member	<p>Born in 1957</p> <p>Academic qualification:Bsc.Agric.,MSC,PhD(Univer sity of Nairobi)</p> <p>Work Experience:Agric.Officer,Senior Agric.Officer,Research Officer II,Research Officer I,Senior Research Officer I,Principal Researcher,Senior Principal Researcher(KALRO)</p> <p>Current Position:Lecturer,Senior Lecturer,Proffesor,Kisii University and consultant</p>

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024




	David Onwong'a	Member	Born on 12/07/1957 Academic qualifications:Msc Procurement and Logistics Work experience:Supply Chain Officer for 33 years in public service now retired. Currently:Farming
	Judith Oroko	Member	Date of birth 03/02/1988 Academic Qualifications:BSC Food Science and nutrition Work Experience:4 years teaching and KNEC examiner.
	Amos Oirongo	Member	Born on 28/09/1976 Academic qualifications:Bed.Arts(English/Literature) Profession:Teaching Work experience:Teacher for 22 years(16 years public
	Wilson Nyakundi Abuga	Member	Born in 1948 Academic qualifications: A Level Profession: Accountant. Work experience: Accountant for 7 years. Associate pastor, Champlain and Farmer.
	Evelyn Mogaka	Member	Born in 1978 Academic qualification:Diploma in Education Work Experience:Teaching for 21 years. Assistant executive secretary Knut Kisii south branch.
	Samuel Okemwa Nyakangi	Member	Born in 1957. Academic Qualification;Degree in Economics. Senior Management Course and performance management from KSG Profession;Economist. Work Experience in planning and statistics. County Commissioner for cooperatives,Director Town Manager

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

	Joseck Oseko	Member	Born in 1957. :Bachelor of Commerce, Diploma Financial management. Business person and Farmer
	Benson Mutiso Mulei	Secretary/B OM	<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
	Nathan Soire	Member	Born in 1960 BSC Agriculture,Msc Agric &Extension 38years work experience as Agriculture Extension officer County Director of Agriculture Kisii county.
	Kennedy Osoro	Member	Born on12/12/1969. BSC Animal production,MSC AGED SMC,SLDP. County Director of Livestock Production Work experience of 28 years
	Hon.Elijah Obwori	Ex.official	CEC.Agriculture, Livestock,Fisheries& Cooperative .Development.
	Agnes Choti	Ex.official	Chief Officer Agriculture, Livestock, Fisheries &Cooperative Development. Teacher by profession Bsc Agric. Education and Extension from Egerton University Has been teaching upto 2022

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

4. Management Team

Ref	Name	Position
1	<p>Agnes Choti</p> 	<p>Chief Officer Agriculture, Livestock, Fisheries & Cooperative Development. Teacher by profession Bsc Agric. Education and Extension from Egerton University Has been teaching upto 2022</p>
2	<p>Benson Mutiso Mulei</p> 	<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	<p>Mr. John Nyandanyi</p> 	<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, 2024

5. Board/Fund Chairperson's Report

During the year under review the board had changes with the term of the old board coming to an end and a new board appointed and inaugurated in December 2023. However the fund administrator, Mr. Benson Mutiso Mulei, a senior assistant director of agriculture was the only old member in the board.

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. All the projects were completed and are currently in use.

The avocado nursery which was constructed within the ATC with mature seedlings for marketing was handed over to the ATC as a revenue stream.

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 activities 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: Prof. Benson Machoge Signature.....  Date..... 16/12/2024

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

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.

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 total revenue projection after the adjustment for the period was about Kshs.17.5 million but the collection surpassed this projection by 21.1% to about Kshs.21 million. This was attributed to the inclusion of the avocado nursery enterprise as a revenue stream for the ATC.

On the budget performance, there was 99.97% absorption.

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.

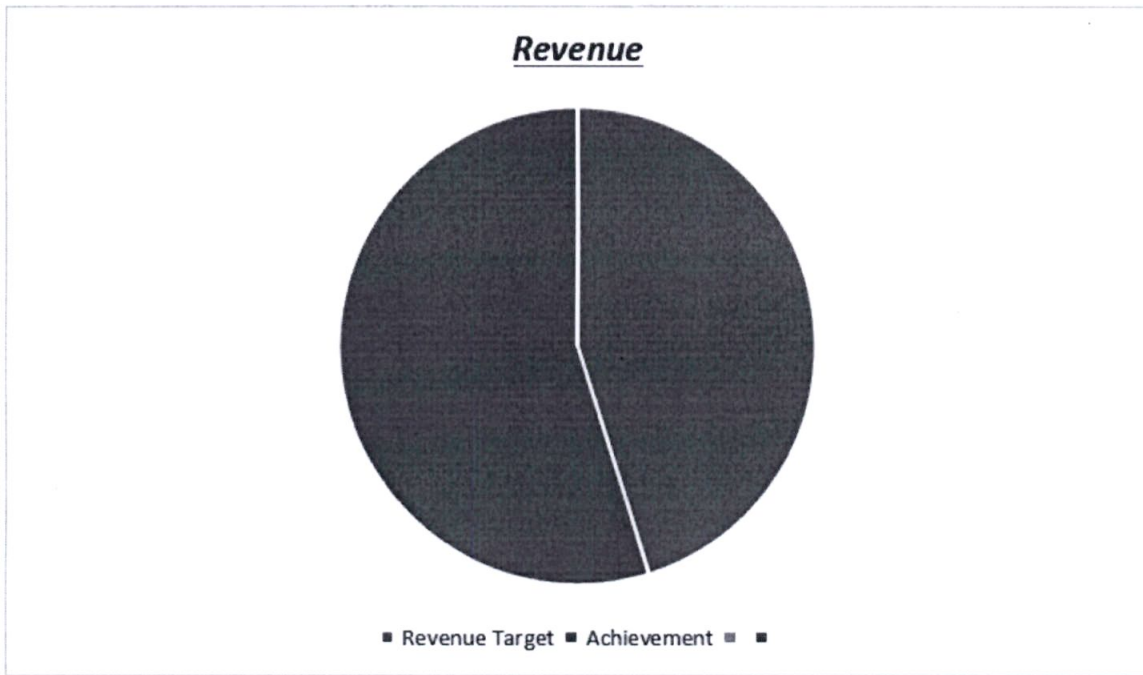
On environmental sustainability the institution developed a master plan to plant 100,000 trees this project has since started to increase the forest cover and also act as a source of fuel and income, waste management through recycling agriculture, waste sorting into organic and inorganic and composting.

There was implementation and completion of some development projects being supported by the county government like 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.

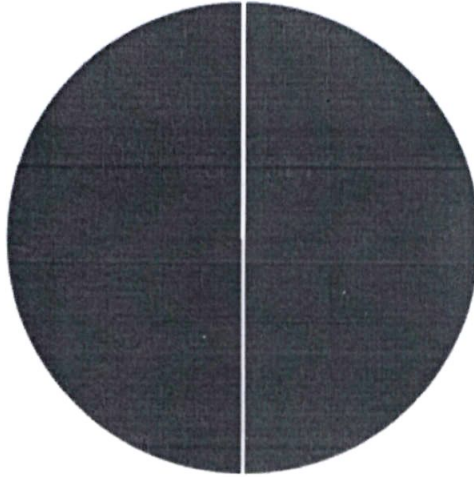
We look forward in ensuring that there is continuous improvement and that the objective of the fund is achieved.

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024



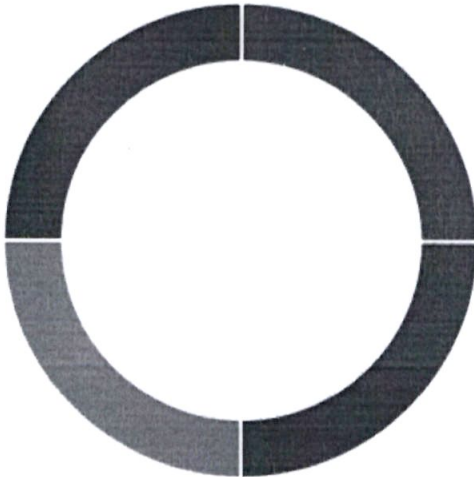
DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

Budget Absorption



■ Target ■ Achievement ■ ■

Project Completion



■ Fencing ■ Cabro Peving ■ Kitchen Renovation ■ Supply Feeds

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

7. Statement of Performance against the County Fund's Predetermined Objective

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	100% complete
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	complete
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 Friesian 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, 2024

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

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

8. Corporate Governance Statement

Board of management meetings held;

Date	Members Attendance	In attendance	Key activity
22/11/2023	8	4	Inauguration meeting
11/12/2023	10	3	BOM roll out meeting
24/4/2024	10	5	Full board meeting
26/6/2024	10	3	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, 2024

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. These trainings are carried out within the ATC or other training facilities based on the availability of funds.

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 also organizes 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.7, 000 and members Kshs.5, 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 projects being supported by the County Government of Kisii were all completed and are currently in use. The procurement process of the second phase of the fence is currently ongoing.

The TVET program that had started in March 2023 with a class of 13 students learning: dairy management, poultry, horticultural nursery management and fish production. The class graduated in April 2024. Support from the programme not yet released.

The fund also complied with statutory requirement 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 the debtors. Clients are also encouraged to make LSO commitments and a down payment of 50% - 70% before the service is rendered.

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

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 meet their daily basic needs that includes; food, clothing, 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. This programme has since started with the plantation of several trees along the sides of the ATC main road and round the farms.

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, 2024

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 which has since started 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 laws of Kenya.

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, 2024

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, 2024

11. Report of The Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2024 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, 2024 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, 2024

By Order of the Board

.....


Chair of the Board/Fund Administration Committee

Date: 16/12/2024

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

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.

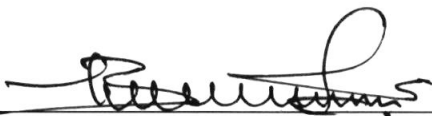
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2024, 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 __16th December, 2024 and signed on its behalf by:



Administrator of the County Public Fund
Guidance

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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Enhancing Accountability

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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DEMONSTRATION FARM FUND KISII FOR THE YEAR ENDED 30 JUNE, 2024

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.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Demonstration Farm Fund Kisii set out on pages 1 to 22, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net

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, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), and comply with the County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Depreciation Amount

The statement of financial performance reflects nil depreciation amount for the year under review and a depreciation charge of Kshs.2,903,708 for the previous year as disclosed in Note 6 to the financial statements. However, depreciation analysis or schedules, and approved depreciation policy specifying depreciation percentages per assets category, in support of these amounts were not provided for audit.

In the circumstances, the accuracy and completeness of the reported depreciation charge amounts could not be confirmed.

2. 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.10,849,348 which, as disclosed in Note 5 to the financial statements, includes transfer to County imprest account balance of Kshs.4,713,000, However, the breakdown (analysis) and supporting documents of the amount were not provided for audit.

Further, the balance of Kshs.10,849,348 differs with the re-computed balance of Kshs.9,061,150 (see workings below), resulting in an unreconciled variance of Kshs.1,788,198:

Particulars	Amount (Kshs.)
Balance as at 30 June, 2023 - Statement of financial position	9,061,150
Add: Revenue from farm and training in 2023/2024 (cash and credit sales/fees) – Statement of financial performance	20,991,367
Total	30,052,517
Less: Receipts from farm and training activities - Statement of cash flows	(20,991,367)
Re-Computed Balance	9,061,150

In addition, Management did not provide the accounts receivables ledger to support the balance of Kshs.10,849,348 and, therefore, credit sales/fees and payments received during the year could not be confirmed. Further, 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.10,849,348 could not be confirmed.

3. Unconfirmed Accuracy of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.1,848,310,492 as disclosed in Note 6 to the financial statements. However, review of property, plant and equipment records revealed the following anomalies:

- i. Included in the balance is Kshs.1,600,000,000 in respect of land. However, 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, 2024. Further, details of the land size and the ownership documents or title deeds for the parcels of land were not provided for audit review.
- ii. Management did not maintain a complete fixed asset register to record necessary information such as date of acquisition, type of assets, supplier name, costs, accumulated depreciation, net book values, value, asset codes, custodian and location among other details in respect of the assets the fund owns. As a result, it was not possible to establish fully depreciated assets, bonded items and how the same will be written off in the books of accounts.
- iii. It was also noted that most of the assets were not tagged and asset movement's registers were not appropriately kept. Thus, such assets may easily be stolen.
- iv. There was no evidence of any disposal of assets, yet there were quite a number of bonded items kept in the respective stores.
- v. The Fund had a number of loose tools in various sections, farm equipment and structures in respective sections, whose records and registers were not provided for audit review.
- vi. No assets manager was appointed or asset management committee put in place to effectively manage the Fund's assets.

In the circumstances, the ownership of the parcel of land valued at Kshs.1,600,000,000 and the accuracy and completeness of the property, plant and equipment balance of Kshs.1,848,310,492 could not be confirmed.

4. Non-Compliance with Financial Reporting Framework

Review of the financial statements revealed the following deviations from the reporting template prescribed by the Public Sector Accounting Standards Board (PSASB):

- i. The statement of changes in net assets presents balances for three (3) financial years (2021/2022, 2022/2023 and 2023/2024), contrary to the prescribed reporting template, which requires the statement to show amounts for two (2) financial years (current and previous).
- ii. Note 6 on property, plant and equipment does not have cost, depreciation and impairment and net book value sections as required by the prescribed reporting template.

Therefore, Management violated Section 164(3) of the Public Finance Management Act, 2012 which requires an accounting officer to prepare financial statements in formats that comply with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the financial statements do comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management was in breach of the law.

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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis amounts of Kshs.17,300,200 and Kshs.20,991,367 respectively, resulting in over-collection of revenue of Kshs.3,691,167, or 21% of the budget. Further, the Fund spent Kshs.17,295,209 out of the actual income of Kshs.20,991,367, resulting in an under-utilization of Kshs.3,696,158.

The over-collection of revenue may be an indication of lack of proper revenue forecast, while the under-utilization of the available funds may have negatively impacted on the operation of the Fund.

My opinion is not modified in respect of this matter

Key Audit Matters

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

Other Matter

Un-Resolved Prior Year Matters

Various audit matters reported in the previous year remained unresolved as at 30 June, 2024. Management has not provided satisfactory explanation for not resolving the prior year audit matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. 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 October, 2024.

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

Report of the Auditor-General on Demonstration Farm Fund Kisii for the year ended 30 June, 2024

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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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

24 December 2024

DEMONSTRATION FARM FUND KISHII
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Financial Performance for the Year Ended 30th June 2024

	Note	2023/2024	2022/2023
		KShs	KShs
Revenue from farm and training activities			
Revenue from farm and training	1A	20,991,367	18,072,087
Total revenue		20,991,367	18,072,087
Expenses			
Transfer to county account	2	0	0
General expenses	3	17,295,209.75	14,413,776
Depreciation	6		2,903,708
Total expenses		17,295,209.75	17,317,484
Surplus/(deficit)for the period		3,696,157	754,603

The notes set out on pages 19 to 22 form an integral part of these Financial Statements



.....
Name: Benson Mutiso Mulei
Administrator of the Fund



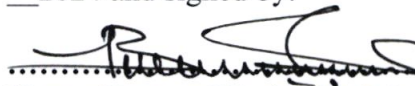
.....
Name: John Nyandanyi
Fund Accountant
ICPAK Member Number:13733


DEMONSTRATION FARM FUND KISHI
Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position as at 30 June 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs.
Assets			
Current assets			
Cash and cash equivalents	4	5,781,511.27	3,873,552
Current portion of long term receivables from exchange transactions	5	10,849,348	9,061,150
		16,630,859	12,934,702
Non-current assets			
Property, plant and equipment	6	1,848,310,492	1,810,150,292
Biological Assets	7	12,318,000	4,765,000
TOTAL		1,860,628,492	1,814,915,292
Total assets		1,877,259,351	1,827,849,994
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	8	0	0
Total liabilities		0	0
Represented By:			
Capital Reserves		6,763,409	6,763,409
Revaluation Reserve		1,860,628,492	1,817,576,000
Accumulated Surplus		9,867,450	5,416,690
Total Net Assets		1,877,259,351	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 __16th December __2024 and signed by:


 Name: Benson Mutiso Mulei
 Administrator of the Fund


 Name: John Nyandanyi
 Fund Accountant
 ICPAK Member Number:13733

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement of Changes in Net Assets for the Year Ended 30 June 2024

	Capital reserve	Revaluation Reserve	Accumulated Surplus/Deficit	Total
	Kshs.	Kshs	Kshs	Kshs
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
Balance as at 1st July 2023	6,763,409	1,814,915,292	6,171,293	1,827,849,994
Surplus for the Period			3,696,157	3,696,157
Revaluation Loss/Gain		45,713,200		45,713,200
Balance as at 30 June 2024	6,763,409	1,860,628,492	9,867,450	1,877,259,351

DEMONSTRATION FARM FUND KISII
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for the Year Ended 30 June 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts from Farm and Training activities	1B	20,991,367	17,510,023
Total Receipts		20,991,367	17,510,023
Payments			
Transfer to County account	2	0	0
General expenses	3	17,295,208.75	14,413,776
Total Payments		17,295,208.75	14,413,776
adjusted for:			
Increase in Receivables		(1,788,198)	
Increase/Decrease in payables			
Net cash flows from operating activities		1,907,958.25	3,096,247
Net Increase/(Decrease) in Cash and Cash Equivalents		1,907,958.25	3,096,247
Cash and Cash Equivalents at 1 July 2023		3,873,553.52	777,305
Cash and Cash Equivalents at 30 June 2024	4	5,781,511.77	3,873,552

18.Statement Of Comparison Of Budget And Actual Amounts For The Period 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Revenue from training activities and farm operations.	13,700,200	3,600,000	17,300,200	20,991,367	3,691,167	121.34
Total Income	13,700,200	3,600,000	17,300,200	20,991,367	3,691,167	121.34
Expenses						
General Expenses	13,700,200	3,600,000	17,300,200	17,295,209	4,991	99.97
Total Expenditure	13,700,200	3,600,000	17,300,200	17,295,209	4,991	99.97
Surplus For the Period	--	--	--	3,696,157	--	
Capital expenditure	--	--	--	--	--	

Budget notes

- 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.
- The general expenses include both the hospitality and farm operation costs, VAT, fund administration costs and bank charges.
- The increase in the budget performance was as a result of sale of avocado seedlings which was a project that was funded by EU IDEAS and handed over to Fund in the Month of April 2024, this lead to the 21% increment in the budget utilization, the same was factored in the supplementary budget as the above adjustment.

**Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024**

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Demonstration farm fund Kisii entity is established by and derives its authority and accountability 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 entity’s principal activity is to train farmers on modern farming.

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.

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 2024

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

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

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

for Sale and Discontinued Operations	<p>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>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

	<i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

(i) 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.)*

1. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

b) Budget information

The original budget for FY 2023/2024 was approved by the Board of management on 2022/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations kshs. 3,691,197 on the FY 2023/2024 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.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

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 18 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 costs 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.

a) 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.

b) 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 2year 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)

c) 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.

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.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

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*.

Summary of 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.

d) 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.

e) 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.

f) 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.

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

Summary of Significant Accounting Policies (Continued)

g) 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.

h) 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.*

i) 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.

j) 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
Annual Report and Financial Statements
For the year ended 30 June, 2024

Summary of Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) 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.

n) 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.

o) Comparative figures

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

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

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.

(Include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

20. Notes To The Financial Statements Continued

1. Notes to the Financial Statements

1. A. Income from Farm and training activities

	2023/2024	2022/2023
	Kshs	Kshs
Income from training activities and farm operations	18,292,517	13,723,937
Accrued income for the year-	2,698,850	4,348,150
Total income	20,991,367	18,072,087

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

1B: Cash Income from Farm and training activities

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance as the statement of Financial Performance	18,292,517	13,723,937
Receipts in cash from previous period	910,650	3,786,086
Less:-		
Accrued Income at the End of the Year		-
Accrued Incomes Omitted in the Prior Year FS		
Total income	19,203,157	17,510,023

2. Transfer to County Account

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfer to County Account	0	0
Total	0	0

3. General expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Operations and hospitality	14,979,037	9,593,261
Fund administration costs	2,279,256	4,794,000
Bank Charges	11,019.75	8,649
VAT	25,897	17,866

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

Total	17,295,209.75	14,413,776
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4. Cash and cash equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Current account	5,781,511.27	3,873,552
Total cash and cash equivalents	5,781,511.27	3,873,552

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

Financial institution	Account number	2023/2024	2022/2023
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1106481267	5,781,511.27	3,873,552
Grand total		5,781,511.27	3,873,552

5. Receivables from exchange transactions

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Receivables		
Transfer to county imprest account	4,713,000	4,713,000
Other exchange debtors	2,698,848	4,348,150
Previous debtors	3,437,500	
Total receivables from exchange transactions	10,849,348	9,061,150

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

6. Property, plant and equipment

Cost	Land Kshs	Buildings, Kshs	Motor vehicle, Plant and equipment Kshs	Kitchen and beddings Kshs	ICT Kshs	Total Kshs
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	
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
At 1st July 2023	1,600,000,000	203,351,292	4,260,000	774,000	1,765,000	1,810,150,292
Additions		37,785,400	260,000	114,800		38,160,200
Revaluation						
Depreciation						
At 30th June 2024	1,600,000,000	241,136,692	4,520,000	888,800	1,765,000	1,848,310,492

7. Biological Assets

Cost	Biological Assets Kshs	Total Kshs
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
At 1st July 2023	4,765,000	4,765,000
Additions	7,553,000	7,553,000
Disposals		
Revaluation		
At 30th June 2024	12,318,000	12,318,000

Demonstration Farm Fund Kisii
Annual Report and Financial Statements
For the year ended 30 June, 2024

8. Trade and other payables from exchange transactions

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	-	-
Total trade and other payables	-	-

9. 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

	2023/2024	2022/2023
	Kshs	Kshs
Due from County Government	4,713,000	4,713,000
Total	4,713,000	4,713,000

Demonstration Farm Fund Kisii

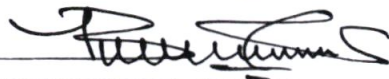
Annual Report and Financial Statements for the year ended June 30, 2024

5. Progress on Follow up Of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed Accuracy of current portion of receivables from exchange transactions	Full disclosure and posting of confirmed balances	1 Evans Kiage Assistant Director Accounting Kisii county	Not Resolved	Subsequent year 2024/2025
2.	Land without ownership documents	Registration of the ATC land in the name of Kisii county government	1.Prof.Benson Mochoge BOM Chair.	In progress	Subsequent year 2024/2025
3	Budget Control and Performance	Improvement subsequent year	Evans Kiage Assistant Director Accounting Kisii county	Not Resolved	Subsequent year 2024/2025
4	Irregular Operation of the Fund	Enactment of the legal framework.	Mr.Mulei Benson Principal Kiisii ATC	In progress	Subsequent year 2024/2025

Fund Manager/Accounting Officer Benson Mutiso Mulei


Date.....
16/12/2024