

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**DE-RISKING, INCLUSION AND VALUE  
ENHANCEMENT OF PASTORAL ECONOMIES  
(DRIVE) IN THE HORN OF AFRICA PROJECT  
(CREDIT NO. 7139-KE)**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
<b>KENYA DEVELOPMENT CORPORATION</b>	
DATE: 14 NOV 2024	
DAY: Thursday	
TABLED BY:	Hon. Silvanus Osoo (Majority Party whip)
CLERK AT THE TABLE:	Anastacia

## Table Contents

	Page
1. Acronyms and Definition of Terms.....	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project’s Predetermined Objectives.....	xii
4. Environmental and Sustainability Reporting.....	xiv
5. Statement of Project Management Responsibilities.....	xix
6. Report of the Independent Auditor on Financial Statements for De-risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa (DRIVE)Project.....	xxi
7. Statement of Receipts and Payments for the Year Ended 30th June 2024.....	1
8. Statement of Financial Assets and Liabilities as at 30 <sup>th</sup> June 2024.....	2
9. Statement of Cash flows for the year ended 30 <sup>th</sup> June 2024.....	3
10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 <sup>th</sup> June 2024.....	4
11. Significant Accounting Policies.....	5
12. Notes to the Financial Statement.....	12
13. Annexes.....	17

## **1. Acronyms and Definition of Terms**

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
DRIVE (DRIVE)	De-risking, Inclusion and Value Enhancement of pastoral economies
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KDC	Kenya Development Corporation
SDL	State Department of Livestock
CT	County Treasury
DA	Designated Account
IDA	International Development Association
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

29 OCT 2024

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**PROJECT NAME:**

**DE-RISKING, INCLUSION, AND VALUE ENHANCEMENT (DRIVE) OF  
PASTORAL ECONOMIES IN THE HORN OF AFRICA PROJECT**

**IMPLEMENTING ENTITY:**

**KENYA DEVELOPMENT CORPORATION**

**PROJECT CREDIT NUMBER: 7139-KE**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

The project's official name is De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE).

#### **Objective**

The key objectives of the project are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa.

#### **Address:**

Kenya Development Corporation  
17<sup>th</sup> Floor, Uchumi House  
Aga Khan Walk  
Nairobi, Kenya

#### **Contacts:**

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Telephone: (254) 20-2771000  
E-mail: [info@kdc.go.ke](mailto:info@kdc.go.ke)  
Website: [www.kdc.go.ke](http://www.kdc.go.ke)

**Project information and overall performance (continued)**

**2.2 Project Information**

<b>Project Start Date:</b>	23 <sup>rd</sup> September 2022
<b>Project End Date:</b>	30 <sup>th</sup> September 2027
<b>Project Coordinator:</b>	Mr. Daniel Muimi
<b>Project Sponsor:</b>	World Bank - International Development Association (IDA)

**2.3 Project Overview**

<b>Line Ministry and State/ County Department</b>	Ministry of Agriculture State Department of Livestock Development
<b>Project number</b>	Credit Number 7139-KE Project ID P176517
<b>Strategic goals of the project</b>	<p>The Objective of the project is to;</p> <ul style="list-style-type: none"> <li>i. Enhance pastoralists access to financial services for drought risk mitigation,</li> <li>ii. To include them in the beef value chains and</li> <li>iii. Facilitate the livestock trade in Horn of Africa.</li> </ul> <p>The strategic goals of the project under component 2 are as follows:</p> <ul style="list-style-type: none"> <li>i. Facilitate private investment in livestock value chain</li> <li>ii. Provision of financing to livestock value chain beneficiaries under two windows; <ul style="list-style-type: none"> <li>a) A window of significant investments</li> <li>b) A window that focuses on women and youth owned enterprises in the livestock value chain.</li> </ul> </li> </ul>
<b>Summary of Project Strategies for achievement of strategic goals</b>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>i. Provision of financing to viable private investments through debt</li> </ul>

	<p>ii. Provision of financing to viable private investments through Equity investments</p>
<p><b>Other important background information of the project</b></p>	<p>The DRIVE project presents an innovative approach to address climate change and pastoral poverty.</p> <ul style="list-style-type: none"><li>• It uses a regional implementation approach to protect pastoralists against drought with financial services. The project is covering 4 countries in the Horn of Africa; Kenya, Djibouti, Ethiopia and Somalia.</li><li>• It follows a people-centric approach to ensure better outcomes for one of the poorest populations in the HoA, the pastoralists.</li><li>• It seeks to mobilize private investment in the pastoral value chains and facilitate livestock trade to ensure pastoralists get more value for their livestock-rearing activities.</li></ul> <p>To achieve this, the project has two main components with three implementing partners, namely;</p> <p><b>1. ZEP RE - Implementing Component 1</b></p> <p>The objective of Component 1 - De-Risking and Finance</p> <ul style="list-style-type: none"><li>• To carry out activities to build climate resistance through;</li><li>• Offering a Package of financial services to pastoralist groups including drought index insurance and savings promotion</li></ul> <p><b>2. Kenya Development Corporation and State Department of Livestock - Implementing Component 2</b></p> <p>The objective of component 2 is to support private investments in the livestock value chains and link pastoral producers to reliable markets by;</p> <ol style="list-style-type: none"><li>1. Upgrading quality infrastructure such as testing facilities, traceability systems and quarantine systems to ensure compliance of livestock and livestock products with national and international standards and facilitate compliance with said standards to livestock traders, exporters investors and local communities.</li></ol>

	<ol style="list-style-type: none"> <li>2. Facilitating Trade and trade logistics in livestock and livestock products through improvement of logistics for transit of live animals, digitization of export and sanitary certificates.</li> <li>3. Private investment in livestock value chain by Kenya development Corporation.</li> </ol>
<p><b>Areas that the project was formed to intervene</b></p>	<p>The project was formed to intervene in the following problems/ gaps:</p> <ol style="list-style-type: none"> <li>(i) The ASAL areas of Kenya are exposed to disasters, amplified by climate change, and the recurrent severe droughts are a key factor to poverty and conflicts in pastoral economies</li> <li>(ii) Access to formal financial services and credit for pastoral producers is limited. This is due ;Lack of collateral- Pastoral land is communal and cannot be charged as collateral, Lack of commercial business and difficulty to follow loan defaulters. Poorly timed sales and exposure to drought are a limit to creditworthiness</li> <li>(iii) Due to gendered social norms, and compared to men, women have less mobility, rights, and access to resources, as well as lower access to social capital, productive resources, and technology, affording them less capacity to adapt and diversify their livelihoods</li> <li>(iv) The livestock value chains are dominated by traders, with limited benefits going to the pastoral producers. This is impacted by; Lack of quality infrastructure to trace livestock and ensure standards, limited resources for diseases control.</li> <li>(v) Poorly timed sales due to lack of feed and food during drought means selling livestock when prices are lowest, rather than selling when rains and livestock prices are good - as a result the quality of the livestock sold does not meet exporters' requirements without the use of holding grounds;</li> <li>(vi) Furthermore, many cattle breeds of pastoralists are not adapted to export markets.</li> <li>(vii) Droughts degrade rangelands, deplete livestock, and lead to underinvestment. Underinvestment lowers pastoral productivity.</li> </ol>
<p><b>Project duration</b></p>	<p>Five Years</p>

## Project Information and Overall Performance (Continued)

### 2.4 Bankers

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

KCB Bank Limited  
Moi Avenue Branch  
P.O Box 6000-00200  
Nairobi Kenya.

### 2.5 Independent Auditor

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

### 2.6 Roles and Responsibilities

*List the different people who are working on the project. This list would include the project coordinator and all the key officers involved.*

No	Names	Title designation	Key qualification	Responsibilities
1.	Norah Ratemo	Director General	Master's Degree in Business Administration-Finance, Bachelor's Degree of Commerce-Accounting, CPA(K) and Strategic Leadership	Overall leadership in the project implementation
2.	Daniel Muimi	Ag. Deputy Director Investment Appraisal and Administration	Bachelor's Degree in Business Administration, CPA and CFA	Project Coordinator

3	Kennedy Wanderi	Ag. Director Corporate Services and Deputy Director, Finance and Accounts	Master's Degree in Business Administration- Finance and Banking Bachelor's Degree in Business Management and CPA(K)	Ensure compliance with the financial management manual and relevant accounting laws
4	Herman Gacugi	Manager Risk Management and compliance	Master's Degree in of Science Information Communications Technology (ICT) Bachelor's Degree of Commerce-Accounting, CPA(K), CISA and Certified GRI Certified Professional	Ensure project compliance to Environmental and Social Management Systems

Kenya development Corporation is well resourced with key accounting staff from all departments including Audit, ICT, Legal, Investments & Appraisal, Portfolio Management and Business Development being qualified and experienced with defined roles and responsibilities.

## 2.7 Funding summary

The Project is for a duration of 5 years from 2022 to 2027 with an approved budget of US\$ 40,026,253 (EUR 37,885,710) equivalent to Kshs.5,261,033,216 (CBK rate as at 28<sup>th</sup> June 2024 Exch. Rate - 1EURO=138.8659). This is indicated in the Subsidiary Grant Agreement signed on the 23<sup>rd</sup> September 2022 between Kenya Development (KDC), State Department of Livestock (SDL) and the Government of the Republic of Kenya (GOK) as highlighted in the table below:

**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment		Amount received to date - (30 <sup>th</sup> June 2024)		Undrawn balance to date	
	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
<b>(i) Grant</b>	Exch. Rate - 1EURO=138.8659		Exch. Rate - 1EURO=148.3071			
World Bank (International Development Association)	37,885,710	5,261,033,216	3,000,000	444,921,300	34,885,710	4,816,111,916
<b>Total</b>	<b>37,885,710</b>	<b>5,261,033,216</b>	<b>3,000,000</b>	<b>444,921,300</b>	<b>34,885,710</b>	<b>4,816,111,916</b>

*The exchange rate used for conversion of donor commitment is the CBK rate as at 28<sup>th</sup> June 2024 and the amount received is at the prevailing rate at the date of transfer*

**Project information and overall performance (continued)**

**B. Application of Funds**

Application of funds	Amount received to date - (30 <sup>th</sup> June 2024)		Cumulative amount paid to date - (30 <sup>th</sup> June 2024)		Unutilised balance to date (30 <sup>th</sup> June 2024)	
	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>	Exch. Rate - 1EURO=148.3071					
World Bank (International Development Association)	3,000,000	444,921,300	1,316,100	195,186,976	1,683,900	249,734,324
<b>Total</b>	<b>3,000,000</b>	<b>444,921,300</b>	<b>1,316,100</b>	<b>195,153,376</b>	<b>1,683,900</b>	<b>249,734,324</b>

*The exchange used to convert to amount received is the conversion rate at the date of transfer to the KDC project account*

## **Project information and overall performance (continued)**

### **2.8 Summary of Overall Project Performance:**

- i) The total funds received from State Department of Livestock (SDL) by the end of the FY 23/24 amounted to Kes 444,921,300 against a budget of Kes 800 million.
- ii) KDC has approved eleven projects within the DRIVE- in various value chains amounting to Kes 1,031,182,205.
- iii) KDC disbursed 42% of the total amount received from SDL amounting to Kes 185,840,961 million
- iv) The absorption rate for 2023/2024 stands at 44%
- v) From the 11 private investments approved, Kes 1.08 billion was allocated into these investments

### **Implementation Challenges**

Financing the livestock sector has come with several unique challenges affecting both KDC and borrowers. Here are some of the key challenges:

- Delayed processes with perfection of securities and charging of the titles.
- Environmental Regulations: Most borrowers are new to Environmental and Social compliance; the environmental impact and assessment can add to operational costs.
- Lack of Insurance Products: Adequate insurance products tailored for livestock farmers are often unavailable or too expensive

### **Way forward**

- Close monitoring of projects at security perfection stage in order to expediate disbursement process.
- Provide support to private investments on ESMS compliance throughout the life cycle of the project.

### **2.9 Summary of Project Compliance:**

- i) Environmental and Social risk- the project focuses on pastoral areas which have substantial underlying E&S risks (gender-based violence, child labor, soil degradation, marginalized communities, conflicts). Private actors supported by the project to invest in pastoral areas will be sensitized on the underlying risks and will have risk management systems in place.

### **3. Statement of Performance against Project's Predetermined Objectives**

#### **Introduction**

Section 81(2)(f) / Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the *project's agreement/* plan are to:

- a) Increase the amount of Private Capital Enabled or Mobilized through the project
- b) Amount of investments supported under component 2 that support adaptation of pastoralist

#### **Progress on the attainment of strategic development objectives**

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement.

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
De-Risking Inclusion and Value Enhancement for Pastoral Economies (DRIVE)	Facilitate private investment in livestock value chain.	<b>Increased private sector finance into the Livestock value chains</b>	Amount of private capital capitalized into the project	In the financial year the approved investments are expected to mobilize investments worth Kshs. 1.085 million in the LVC
	Amount of investments supported under component 2 that support adaptation of pastoralist	<b>Increased financing into the livestock value chains</b>	Amount Financed	The Corporation has approved financing totalling to Kshs.1,031 million. Ksh185m has been disbursed while the balance of Ksh 846m is in various stages of documentation.

#### **4. Environmental and Sustainability Reporting**

##### **i. Sustainability strategy and profile**

The Corporation has established and adopted a sustainability approach in its operations guided by the Environmental, Social, and Governance framework. The ESG framework establishes a screening/assessment process that helps in identifying stakeholders that have built sound environmental practices, strong social responsibility tenets, and ethical governance initiatives into their corporate policies and everyday operations. Environmental criteria shall be considered if a company operates with concern towards nature.

The ESG processes and procedures focus on non-financial performance indicators that address a stakeholders' approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and corporate governance considerations.

With regard to the investment process, the investment policy outlines sustainability focus where Corporation's investments shall be undertaken to fulfil the mandate of promoting sustainable national economic development in line with the development priorities identified from time to time by the government. This is inclusive of sustainable development goals initiatives aligned to vision 2030 and African Union Agenda 2063

##### **ii. Environmental performance**

Kenya Development Corporation is implementing De-risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) projects' Environmental and Social Management Systems (ESMSs). These systems are aimed at assisting the Corporation manage its environmental and social risks and impacts arising from its on-lending operations.

The ESMSs are guided by National and County Environmental and Social laws and regulations and the World Bank's (WB) Environmental and Social Standards (ESSs). For every project an Environmental and Social Due Diligence is carried out and an environmental and social action plan (ESAP) developed to guide the management of the identified Environment and Social (E&S) risks and impacts.

The ESMS findings are discussed with the proprietor and advised on the required actions detailed in an assessment report that is produced per project. The actions proposed, if implemented effectively, should mitigate identified risks and impacts from crystalizing. Implementation of the proposed actions shall be assessed

during project implementation, monitoring and evaluation. The responsibility for the prevention and management of social and environmental risks throughout the project rests with the project proprietor and its management.

Through the Environment Social Management System, the Corporation has identified activities where it shall not engage in including but not limited to the following: -:

- a) Any activities resulting or anticipated to result in permanent or temporary physical or economic displacement;
- b) Any activities involving adverse impacts on biodiversity conservation and sustainable management of living natural resources;
- c) Any activities that have adverse impacts on cultural heritage as defined under ESS8 on Cultural Heritage;
- d) Any activities that, due to the nature and scale of the activities, would result in a wide range of significant adverse impacts and risks, which are long-term, permanent, and/or irreversible, impossible to avoid entirely, and cannot be mitigated or required complex, unproven mitigation and excessive associated costs, rendering its risk classification as high;
- e) Production or trade in any product or activity deemed illegal under the Kenyan laws or regulations or ratified international conventions and agreements;
- f) Production or trade-in pesticides/herbicides subject to international phase-outs or bans;
- g) Any activities that would curtail workers' fundamental rights; and,
- h) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

The prevalent cross cutting environmental and social risks and potential impacts include;

- a. Labor and working conditions related issues (child labor, poor terms and conditions, etc)
- b. Safety and health impacts,
- c. Diseases and pest pandemics,
- d. Physical security (Theft),
- e. Exclusion of vulnerable and marginalized communities and persons,
- f. Land tenure induced conflicts,
- g. Climate hazards (desertification),

- h. Natural resources management (over exploitation) and
- i. Waste management.

The following safeguards/mitigation measures are proposed:

- a. Livestock insurance for steers purchased for fattening and sale.
- b. Compliance with local Environment and Social laws and regulations. (including livestock management).
- c. Application of climate resilient practices and technologies and proper farm management.
- d. Verification of land documentation like leases, title deeds and land agreements.
- e. Establishment of environmental and social risks management systems and mitigation measures.
- f. Capacity enhancement and awareness creation on social and environmental issues.
- g. Application of mitigation hierarchy (anticipation and avoidance, minimization, mitigation and off set/compensation.)
- h. Loss or damage risks. These safeguards can include insurance, safety policies and project site safety actions like fire extinguishers & horse pipes.
- i. Monitoring and evaluation of proposed environmental and social safeguards and mitigation measures.
- j. Continuous stakeholder engagement and relationship management.
- k. Establishment and implementation of labour management procedures (LMP). The procedures entail environmental, health and safety risks, sexual exploitation and abuse, child labour, forced labour and working terms and conditions.

### **iii. Employee welfare**

The Corporation has provided an elaborate policy and implementation plan for capacity enhancement and training, succession planning, open and anonymous channels for staff feedback, whistle blowing and witness protection as provided for by the witness protection laws and regulations.

The Corporation Human Resource Management policy and procedures align with SDG No 8. (Employee Involvement – decent work, economic growth & employee involvement). The strategic plan, budgeting process and business continuity policy gives priority to staff wellness and welfare and ensures there is no discrimination or favoritism.

To drive sustainable operations and performance, the Corporation has an annual performance management plan, that is reviewed and reported periodically including collaboration with state agencies. This is also supported by a rewards and sanctions policy that enumerates causes for action and inaction.

The Corporation has a detailed mechanism to ensure compliance with Occupational Safety and Health Act of 2007, (OSHA), this has been implemented both at office design, internal operations and periodic sensitization to relevant stakeholders. The corporation also allows freedom of expression, association to collectively express, promote, pursue and defend common interests.

#### **iv. Marketplace practices-**

##### **a) Responsible Supply chain and supplier relations-**

The Corporation supply chain and supplier relationships are anchored in the procurement policy and procedure manual which are aligned with the existing supply chain regulatory framework (Public Procurement and Asset Disposal Act of 2015 and regulations 2020).

The procurement plan is linked to the budget and the supply chain team works closely with contracting user department to ensure contract monitoring and delivery as per the agreed terms of delivery, any challenges are resolved within the provisions of the law. These practices are applied in all activities including project linked procurement where the baseline is compliance with the local procurement regulations.

##### **b) Responsible ethical practices**

The corporation has an elaborate staff code of conduct and human resource and procedure manuals that detail employee behaviour and necessary requirements for ethical employee practices. The policy also outlines areas of non-discrimination and provisions for disciplinary and or grievance redress mechanism.

KDC is committed to timely completion of the projects within the awarded value without compromising on quality. It is not in the interest of KDC to deal with any stakeholder who commit deception (use fake/manipulated documents), fraud or other misconduct (manhandling of KDC employee or use of abusive words) of whatsoever nature in the contract execution.

The Corporation has an anticorruption and anti-bribery policy as well as whistle blowing policy, these provide the framework and channels of anonymous whistle blowing and witness protection as per the Kenyan laws and global best practices. <https://kdc.go.ke/whistle-blower/>

**c) Regulatory impact assessment**

Through an elaborate governance framework and system, the corporation has various polices anchored on Kenyan Constitution, Public Finance Management Act, State Corporations Act, Public Procurement and Asset Disposal Act and Labour laws that establish policy statements and guidelines that drive regulatory compliance. Though continuous self-assessments are compliance reviews the corporation has an implementation matrix that acts a guide for day today compliance, reference and for continuous improvement.

**v. Community Engagements**

While the project doesn't have a budget for community engagement activities. During the environment and social risk assessments per project. The impact to the community is assessed where stakeholder's engagement and consideration is key. The project sponsors are cautioned to ensure community interests are safeguarded, community integration and consideration is prioritized to ensure the project directly and indirectly benefits the neighbouring communality including participation in community activities and sharing benefits.

### **5. Statement of Project Management Responsibilities**

The Director General for Kenya Development Corporation and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for 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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

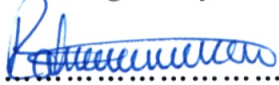
The Director General for Kenya Development Corporation and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General for Kenya Development Corporation and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The Director General for Kenya Development Corporation and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Director General for Kenya Development Corporation and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Director General for Kenya Development Corporation and the Project Coordinator on 27th September 2024 and signed by:



**Norah Ratemo**  
*Director General*



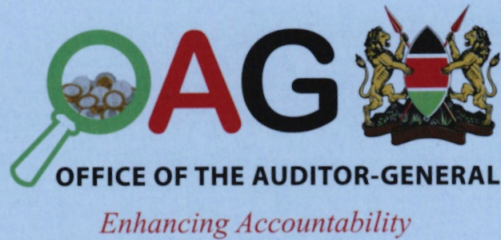
**Daniel Muimi**  
**Project Coordinator**



**Kennedy Wanderi**  
**Project Accountant**  
ICPAK Member No: 3349

# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON DE-RISKING, INCLUSION AND VALUE ENHANCEMENT OF PASTORAL ECONOMIES (DRIVE) IN THE HORN OF AFRICA PROJECT (CREDIT NO. 7139-KE) FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA DEVELOPMENT CORPORATION**

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### **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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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.

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*Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (CREDIT NO. 7139-KE) for the year ended 30 June, 2024 - Kenya Development Corporation*

## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

I have audited the accompanying financial statements of De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No.7139-KE) - Kenya Development Corporation set out on pages 1 to 17, which comprise the statement of statement financial assets and liabilities as at 30 June, 2024, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other important disclosures in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No. 7139-KE) - Kenya Development Corporation 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 (Cash Basis) and comply with the Financing Agreement No. 7139-KE between the International Development Association and the Republic of Kenya dated 29 June, 2022 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No. 7139-KE) - Kenya Development Corporation Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.800,000,000 and Kshs.444,921,300 respectively resulting to an under-funding of Kshs.355,078,700 or 44% of the budget. Similarly, the Project spent Kshs.195,186,976 against actual receipts of Kshs.444,921,300 resulting to an underutilization of Kshs.249,734,324 or 56 % of the receipts.

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*Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (CREDIT NO. 7139-KE) for the year ended 30 June, 2024 – Kenya Development Corporation*

The under-funding and under-utilization may affect the planned activities and may have impacted negatively on delivery of goods and services to the public.

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

### **Other Information**

#### **Conclusion**

The Management is responsible for the other information set out on page I to XX which comprise of Project information and overall performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

#### **Basis for Conclusion**

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution and 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**

#### **Delay in Project Implementation**

The statement of receipts and payments reflects an amount Kshs.185,840,961 in respect to disbursements to livestock value chains and as disclosed under Note 3 to the financial

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*Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (CREDIT NO. 7139-KE) for the year ended 30 June, 2024 – Kenya Development Corporation*

statements out of which Kshs.24,294,080 relates to loan disbursement to a private company. The approved loan amount was Kshs.66,985,080 vide the offer letter Ref: KDC/DG/CS&LS/11/2023 dated 21 November, 2023. It was observed that the request for first disbursement of Kshs.17,964,580 by the borrower was done on 11 January, 2024 and was disbursed by the Corporation on 25 January, 2024. However, the call report dated 15 February, 2024 following a visit undertaken to confirm implementation status following the disbursement of the first tranche on 22 January, 2024 revealed that there was no progress towards implementation of the project as the 250 cattle, animal feeds for 250 cattle, and laboratory equipment had not been purchased.

Further, vide letter Ref: KDC/INV/300-0277-0337/1 dated 13 May, 2024, the Corporation granted a three-month timeline to have the project implemented. However, as at the time of the audit in the month of October, 2024, no evidence had been provided to show the progress towards implementation of the project.

In the circumstances, the beneficiary failed to comply with the conditions set out in the project financing agreement, project implementation manuals and the letter of offer. This may negatively affect the project implementation, and repayment of principal and interest amount, resulting to loss of public funds.

The audit was conducted in accordance with ISSAIs 3000 and 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **Non-Disclosure of Loan Repayments - Principal & Interest**

The statement of receipts and payments reflects an amount Kshs.185,840,961 in respect to disbursements to livestock value chains and as disclosed under Note 3 to the financial statements. The Corporation disbursed loans totaling Kshs.185,840,961. However, loan

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*Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (CREDIT NO. 7139-KE) for the year ended 30 June, 2024 – Kenya Development Corporation*

repayments, comprising of principal and interest, were being deposited into the Corporation's operations bank account, which is unrelated to the Project, raising concerns about the accuracy and transparency of financial reporting.

In the circumstances, the effectiveness of internal controls relating to loan repayment for both principal and interest could not be confirmed.

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

### **Responsibilities of Management and the Project Steering Committee**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 overall governance.

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

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

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

The Project Steering Committee is responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

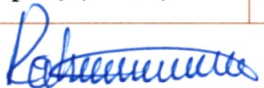
**30 October, 2024**

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*Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) in the Horn of Africa Project (CREDIT NO. 7139-KE) for the year ended 30 June, 2024 – Kenya Development Corporation*

**7. Statement of Receipts and Payments for the Year Ended 30th June 2024.**

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		2023/2024			2022/2023			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>Receipts</b>								
Proceeds from domestic and foreign grants	1	444,921,300	-	444,921,300	-	-	-	444,921,300
<b>Total receipts</b>		<b>444,921,300</b>	<b>-</b>	<b>444,921,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>444,921,300</b>
<b>Payments</b>								
Purchase of Goods and services	2	6,395,774	-	6,395,774	-	-	-	6,395,774
Disbursements to Livestock Value Chain	3	185,840,961	-	185,840,961	-	-	-	185,840,961
Acquisition of non-financial assets	4	2,950,241	-	2,950,241	-	-	-	2,950,241
<b>Total payments</b>		<b>195,186,976</b>	<b>-</b>	<b>195,186,976</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,186,976</b>
<b>Surplus/ (deficit)</b>		<b>249,734,324</b>	<b>-</b>	<b>249,734,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,734,324</b>

  
 Name: Norah Ratemo  
 Director General

  
 Name: Daniel Muimi  
 Project Coordinator

  
 Name: Kennedy Wandari  
 Project Accountant  
 ICPAK Member No:3349


**8. Statement of Financial Assets and Liabilities as at 30<sup>th</sup> June 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
<b>Financial Assets</b>			
Cash and Cash equivalents	5	249,734,324	-
Imprests and Advances		-	-
<b>Total Financial Assets (A)</b>		<b>249,734,324</b>	<b>-</b>
<b>Financial Liabilities</b>			
Third party Deposits and Retention		-	-
Total Financial Liabilities (B)			
<b>Net Financial Assets (A-B)</b>		<b>249,734,324</b>	<b>-</b>
<b>Represented By</b>			
Surplus/(Deficit) for the Year		249,734,324	-
<b>Net Financial Assets</b>		<b>249,734,324</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27<sup>th</sup> Sept 2024 and signed by:



Name: Norah Ratemo  
Director General



Name: Daniel Muimi  
Project Coordinator



Name: Kennedy Wanderi  
Project Accountant

ICPAK Member No: 3349

**9. Statement of Cash flows for the year ended 30<sup>th</sup> June 2024**

Description	Note	2023/24	2022/2023
		Kshs	Kshs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Total receipts		-	
<b>Payments</b>			
Purchase of goods and services	2	(6,395,774)	-
Disbursements to Livestock Value Chain	3	(185,840,961)	-
<b>Total Payments</b>		<b>(192,236,735)</b>	-
<b>Net receipts/(payments)</b>		-	
<b>Net cash flow from operating activities</b>		<b>(192,236,735)</b>	-
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	4	(2,950,241)	-
<b>Net cash flows from investing activities</b>		-	
<b>Cash flow from financing activities</b>		(2,950,241)	-
Proceeds from grant	1	444,921,300	-
<b>Net cash flow from financing activities</b>		-	
<b>Net increase in cash and cash equivalents</b>		<b>249,734,324</b>	-
<b>Cash &amp; cash equivalent at beginning of the year</b>	5	-	-
<b>Cash and cash equivalent at end of the year</b>	5	<b>249,734,324</b>	-

**10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30<sup>th</sup> June 2024**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>						
Proceeds from domestic and foreign grants	800,000,000	-	800,000,000	444,921,300	355,078,700	44%
<b>Total Receipts</b>	<b>800,000,000</b>	<b>-</b>	<b>800,000,000</b>	<b>444,921,300</b>	<b>355,078,700</b>	<b>44%</b>
<b>Payments</b>						
Purchase of Goods and Services	75,650,700	-	75,650,700	6,395,774	69,254,926	92%
Disbursements to Livestock Value Chain	720,949,300	-	720,949,300	185,840,961	535,108,339	74%
Acquisition of non-financial assets	3,400,000	-	3,400,000	2,950,241	449,759	13%
<b>Total Payments</b>	<b>800,000,000</b>	<b>-</b>	<b>800,000,000</b>	<b>195,186,976</b>	<b>604,813,024</b>	<b>76%</b>
<b>Surplus or Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,734,324</b>		

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.

## **11. Significant Accounting Policies**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for the DRIVE project under the State Department of Livestock. The financial statements are for the reporting entity (Project xxx) as required by Section 81/ Section 164 of the PFM Act, 2012.

### **c) Reporting currency**

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

### **d) Recognition of receipts**

The Project recognizes all receipts from various sources when an event occurs, and the related cash is received.

**Significant Accounting Policies (continued)**

**i) Transfers from the Exchequer**

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

**ii) External Assistance**

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

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing.**

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

**vi) Undrawn external assistance**

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

**Significant Accounting Policies (continued)**

**e) Recognition of payments**

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

**i) Compensation to employees**

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

**ii) Use of goods and services**

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

**iii) Interest on borrowing**

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

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

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

**Significant Accounting Policies (continued)**

**v) Acquisition of fixed assets**

The payment on the acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items, respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as a receipt and as a payment. A fixed asset register is maintained by each public entity, and a summary is provided for consolidation purposes. This summary is disclosed as an annexure to the consolidated financial statements.

**f) In-kind donations**

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

**g) 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.

### **Significant Accounting Policies (Continued)**

#### **h) Restriction on cash**

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

#### **i) Imprests and Advances**

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

#### **j) Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public-Private Partnerships, 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. There were no contingent liabilities in the year.

### **Significant Accounting Policies (Continued)**

#### **k) Contingent Assets**

KDC 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 Corporation 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.

#### **l) Pending bills**

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

#### **m) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex 2 to these financial statements.

**Significant Accounting Policies (Continued)**

**n) Third-party payments**

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

and are disclosed in the payment to third parties' column in the statement of receipts and payments.

**o) Exchange rate differences**

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

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). This is the first year of the project reports hence no prior year adjustments.

## 12. Notes to the Financial Statement

### 1. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024, we received grants from donors as detailed in the table below:

Name of Donor	2023/2024						2022/2023	Cumulative to date
	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount	
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received World Bank (IDA)	10 <sup>th</sup> July 2023	3,000,000	444,921,300	-	-	444,921,300	-	444,921,300
<b>Total</b>	-	<b>3,000,000</b>	<b>444,921,300</b>	-	-	<b>444,921,300</b>	-	<b>444,921,300</b>

*These are grant funds received from SDL as the designated implementing agency to KDC for on lending to the livestock value chain as a de-risking facility as per the subsidiary Grant agreement*

Notes to the Financial Statements (Continued)

2. Purchase of Goods and Services

Description	2023/2024			2022/2023	Cumulative to- date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Domestic travel and subsistence	4,977,549	-	4,977,549	-	4,977,549
Foreign travel and subsistence	908,617	-	908,617	-	908,617
Printing, advertising, and information supplies	491,386	-	491,386	-	491,386
Bank Charges	18,222	-	18,222	-	18,222
<b>Total</b>	<b><u>6,395,774</u></b>	<b><u>=</u></b>	<b><u>6,395,774</u></b>	<b><u>=</u></b>	<b><u>6,395,774</u></b>

*These are project administrative expenses allowed as part of the 10% administration cost allowed to KDC to operationalise the project as per the subsidiary grant agreement.*

Notes to the Financial Statements (Continued)

3. Disbursements to Livestock Value Chains

Description	2023/2024			2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Eastern Orchards (Sez) Ltd	120,000,000	-	120,000,000	-	120,000,000
Exquisite Top Breeders Ltd	10,000,000	-	10,000,000	-	10,000,000
Mogor Smart Farms Ltd	24,046,881	-	24,046,881	-	24,046,881
Sapisho Holdings Ltd	7,500,000	-	7,500,000	-	7,500,000
Sidari Limited	24,294,080	-	24,294,080	-	24,294,080
<b>Total</b>	<b><u>185,840,961</u></b>	<b>=</b>	<b><u>185,840,961</u></b>	<b>=</b>	<b><u>185,840,961</u></b>

*These are disbursements made to de-risk private investments in the livestock value chain*

4. Acquisition of Non-Financial Assets

Description	2023/2024			2022/2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	
Computer Hardware	2,950,241	-	2,950,241	-	2,950,241
<b>Total</b>	<b><u>2,950,241</u></b>	<b>=</b>	<b><u>2,950,241</u></b>	<b>=</b>	<b><u>2,950,241</u></b>

*The project acquired Laptops and tablets to be used in the project.*

**Notes to the Financial Statements (Continued)**

**5. Cash And Cash equivalents**

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank accounts (Note 5A)	249,734,324	-
<b>Total</b>	<b><u>249,734,324</u></b>	<b>=</b>

The Project has one local currency project account within the project implementation area and one foreign currency designated accounts managed by the National Treasury as listed below:

**5. A Bank Accounts**

**Project Bank Accounts**

Details	2023/2024	2022/2023
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No. 1000605545]	153,376,531	-
<b>Total Foreign Currency balances</b>	<b><u>153,376,531</u></b>	<b>=</b>
<u>Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No 1313481548]	249,734,324	-
<b>Total local currency balances</b>	<b><u>249,734,324</u></b>	<b>=</b>
<b>Total bank account balances</b>	<b><u>403,110,855</u></b>	<b>=</b>

The exchange rate used for conversion of the amount held at the Designated account at the CBK is CBK rate as at 28<sup>th</sup> June 2024 of 1Euro=Kshs.138.8659. The amount held at the DA account is Euros 1,104,494 sat 30<sup>th</sup> June 2024.

**Other Important Disclosures (Continued)**

**6. Related Party Disclosures**

**Related party transactions:**

	2023/2024	2022/2023
	Kshs	Kshs
<b>Transfers from related parties</b>		
Transfers from the Ministry of Agriculture and Livestock Development (State Department of Livestock)	444,921,300	-
	-	-
<b>Total Transfers from related parties</b>	<b>444,921,300</b>	<b>-</b>

### 13. Annexes

#### Annex 2: Variance explanations - Comparative Budget and Actual Amounts for FY 2023/2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>						
Proceeds from domestic and foreign grants	800,000,000	-	800,000,000	444,921,300	355,078,700	44%
<b>Total Receipts</b>	<b>800,000,000</b>	<b>-</b>	<b>800,000,000</b>	<b>444,921,300</b>	<b>355,078,700</b>	<b>44%</b>
<b>Payments</b>						
Purchase of Goods and Services	75,650,700	-	75,650,700	6,395,774	69,254,926	92%
Disbursements to Livestock Value Chain	720,949,300	-	720,949,300	185,840,961	535,108,339	74%
Acquisition of non-financial assets	3,400,000		3,400,000	2,950,241	449,759	13%
<b>Total Payments</b>	<b>800,000,000</b>	<b>-</b>	<b>800,000,000</b>	<b>195,186,976</b>	<b>604,813,024</b>	<b>76%</b>
<b>Surplus or Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,734,324</b>		

#### Explanations of Variances

- 1.Proceeds from domestic and foreign grants** - The Subsidiary agreement was signed in 23<sup>rd</sup> Sep 2022 and first disbursement received in July 2023. The Corporation prioritized the setup of policies and procedures for approval of loans. After approval there was delay in security perfection which has slowed disbursements to clients hence withdrawal was not initiated.
- 2.Purchase of goods and services** - Institution following up on refund of expenses incurred prior to receipt of funds which will normalize the variance.
- 3.Disbursements to Livestock Value Chain** - Subsidiary agreement was signed in 23<sup>rd</sup> Sep 2022 and first disbursement received in July 2023. After approval of there was delay in security perfection which has slowed disbursements to clients hence withdrawal was not initiated.
- 4.Acquisition of non-financials assets** - The assets acquired were procured at a lower price than budgeted.

**Annex 3: Reconciliation of inter-entity transfers**


<b>Project Name:</b>		De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn Of Africa Project (DRIVE)		
<b>Break down of transfers from the State Department of Livestock</b>				
<b>a.</b>	<b>Proceeds from domestic and foreign grant</b>			
		Bank Statement Date	Amount (Kshs)	FY to which the amounts relate
		10 <sup>th</sup> July 2023	444,921,300	FY 2022/23
		<b>Total</b>	<b>444,921,300</b>	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Daniel Muimi  
 Project Coordinator  
 Kenya Development Corporation

Head of Accounting Unit  
 Ministry of Agriculture and Livestock Development  
 State Department of Livestock

Sign  \_\_\_\_\_

Sign  \_\_\_\_\_

**Annex 5: Summary of Fixed Assets Register**

Asset class	Opening Cost (KShs) 2023/2024	Donations in form of assets (KShs) 2023/2024	*Purchases/ Additions in the Year (KShs) 2023/2024	**Disposals in the Year (KShs) 2023/2024	Transfers in/(out) Kshs 2023/2024	Closing Cost (KShs) 2023/2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+ (-)d
Computer Hardware	-	-	2,950,241	-	-	2,950,241
<b>Total</b>	-	-	2,950,241	-	-	2,950,241

KDC wishes to report for disclosure purposes, that there were no activities to report on the below annexes. These annexes are;

**Annex 1: Prior Year Auditor-General's Recommendations**

**Annex 4a: Analysis of Pending Bill**

**Annex 4b: Analysis of Pending: Staff Bills**

**Annex 4c: Analysis of Other Pending Payables**

**Annex 6: Contingent Liabilities Register**

**Annex 7: Reporting of Climate Relevant Expenditures**

**Annex 8: Reporting Disaster Management Expenditure**

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)  
**Annual Report and Financial Statements for the financial year ended June 30, 2024**

**Annex 9: Other Support Documents**

i. Bank Reconciliations statement as at 30<sup>th</sup> June 2024

**KENYA-DE-RISKING, INCLUSION AND VALUE ENHANCEMENT OF PATORAL ECONOMIES IN THE HORN OF AFRICA PROJECT**  
**BANK RECONCILIATION AS AT 30TH JUNE 2024**  
**KDC PROJECT ACCOUNT**

	KES
Balance as per the Bank statement held at KCB	252,718,165.25
LESS: Unpresented Cheques	- 2,983,841.45
ADD: Uncredited Amounts	-
Bank Charges	
Balance as per the Cashbook	249,734,323.80
	249,734,323.80

Prepared by RF Date 7/6/2024

Checked by [Signature] Date 7/7/2024

Approved by: [Signature] Date 7/7/2024