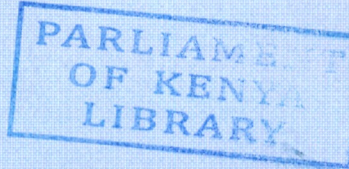


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper Laid
Paper Laid on the
Table of the House
On 17/6/2015
by ~~Chair~~ Leader of
Majority Party*



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
DEMONSTRATION FARMS FUND**

**FOR THE YEAR ENDED
30 JUNE 2014**

**MINISTRY OF AGRICULTURE, LIVESTOCK
AND FISHERIES**

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON DEMONSTRATION FARMS FUND FOR THE YEAR ENDED 30 JUNE 2014 – MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Demonstration Farms Fund set out on pages 1 to 11, which comprise the statement of financial assets and liabilities as at 30 June 2014, and the statement of receipts and payments, statement of cash flows 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 8 of the Public Audit Act, 2003. 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.

Accounting Officer's Responsibility for the Financial Statements

The Accounting Officer - Ministry of Agriculture, Livestock and Fisheries is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (cash basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Accounting Officer is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 6 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Financial Performance

The Fund recorded a deficit of Kshs.125,577,505.00 for the year (compared to a surplus of Kshs.37,584,322.00 in 2013 thereby reducing the total reserves from Kshs.249,543,365.00 to Kshs.122,897,749.00. The deteriorating performance may be attributed to reduced income from sales and a huge expenditure in acquisition of assets during the year. No indication has been given on measures being taken to reverse this state of affairs.

2. Accuracy and Presentation of the Financial Statements

- i. The balances reflected in the financial statements have not been supported by a trial balance as at 30 June 2014.
- ii. Although the Fund was established and continues to operate with a capital of Kshs.6,000,000.00, the same has not been reflected in the financial statements.
- iii. The notes to the financial statements start from number 7 instead of number 1. Further, although the notes start from number 7, under the statement of receipts and payments, statement of financial assets and liabilities and statement of cash flows, the notes are referred to as number 4, 5 and 6 respectively.
- iv. The financial statements do not reflect a statement of changes in net assets.
- v. Although the opening balances reflected in the financial statements have been condensed and grouped into like items derived from the closing balances of the financial statements for the year ended 30 June 2013, the methodology of grouping them has not been made clear in order to confirm that all closing balances were properly brought forward to the 2013/2014 financial statements.

No explanation has been given for the above anomalies, as a result of which the accuracy and completeness of the financial statements could not be confirmed.

3. Acquisition of Assets

- i. The statement of receipts and payments reflects an expenditure of Kshs.131,972,339.00 on acquisition of assets. However, no documentary evidence has been provided to support the expenditure. Consequently, it has not been possible to confirm the nature and quantity of assets purchased, whether proper procurement procedures were followed and whether the assets were delivered and received.
- ii. A fixed assets register was not availed for audit verification. Consequently, it has not been possible to confirm the nature and quantity of assets owned by the Fund, their classification and location.

No explanation has been provided for the above omissions, as a result of which, the propriety of the expenditure of Kshs.131,972,339.00 can not be ascertained, while the nature, classification, location and ownership of assets owned by the Fund could also not be confirmed.

4. Cash and Cash Equivalents

- i. The statement of financial assets and liabilities reflects a cash and cash equivalents balance of Kshs.122,897,749.00. However, the bank reconciliation statement and cash book as at 30 June 2014 reflect a balance of Kshs.79,667,220.00 giving rise to an unexplained and unreconciled difference of Kshs.43,230,529.00.
- ii. The bank reconciliation statement as at 30 June 2014 reflects receipts in bank statement not in cash book totalling Kshs.2,242,075.74 out of which receipts totalling Kshs.1,930,475.74 have not been recorded in the cash book although they relate to the period between August 2012 and September 2013.
- iii. The bank reconciliation statement also reflects two entries of receipts in cash book not in bank totalling Kshs.420,937.40 which have remained outstanding although one relates to 2011/2012 and the other to 2012/2013.
- iv. The bank reconciliation statement as at 30 June 2014 reflects a reconciled balance as cash book of Kshs.79,667,220.20. However, a re-calculation of the figures shows the correct balance as Kshs.121,076,610.00, giving rise to a difference of Kshs.41,409,389.80.

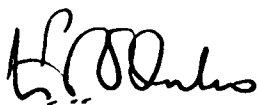
No explanation has been provided for the above anomalies, as a result of which, the accuracy of the cash and cash equivalents balance of Kshs.122,897,749.00 could not be confirmed.

5. Unsupported Balance

The statement of financial assets and liabilities reflects a balance of Kshs.1,068,112.00 referred to as adjustment which, according to note 6.8, relates to unreconciled balances. However, no explanation or documentary evidence has been provided on the nature and purpose of the adjustment. Consequently, the accuracy of the financial statements could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Demonstration Farms Fund as at 30 June 2014 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS) cash basis and the Public Finance Management Act, 2012 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 April 2015



DEMONTRATION FARMS FUND
MINISTRY OF AGRICULTURE, LIVESTOCK, & FISHERIES
STATE DEPARTMENT OF AGRICULTURE

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

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

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

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**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

1. FUND INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name:

Demonstration Farms Fund

Objective:

The overall objective is Agricultural Training Centres (ATC'S) is to provide quality training services and facilities enhancing agriculture and development.

Specific objectives for ATC'S are:-

- i. To improve access to agriculture technology and information.
- ii. Provide quality training facilities for agriculture development
- iii. Promotion of sustainable land use and conservation of natural resources
- iv. Promote household food security
- v. Promote value-addition and utilization of agricultural produce and
- vi. Promote commercialization of agricultural enterprises.

Address:

The fund headquarters offices are at Ministry of Agriculture, Livestock & Fisheries,
Cathedral Road, Kilimo House
P.O.BOX 30028 -00100, Nairobi County, Kenya.

The fund also has stations spread all over the country.

Contacts:

The following are the fund contacts
Telephone: (254) -020-2718870/90,
Fax:+254-20-2718318
Website: www.kilimo.go.ke

1.2 Fund Information

Fund Start Date:	The fund start date is 1990/1991 financial year
Fund end date	The fund was devolved to the County Governments on February 2014.

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

1.3 Fund Overview

Line Ministry/State Department of the fund	Ministry of Agriculture ,Livestock, and Fisheries, State Department of Agriculture
Strategic goals of the fund	The strategic goals of the fund were as follows: <ul style="list-style-type: none"> • To train farmers and other stakeholders on relevant agriculture technologies and skills through teaching, demonstration and provision of training facilities’.
Achievement of strategic goals	The fund was able to achieve the following goals as at the time of devolution of the fund:- <ul style="list-style-type: none"> • As at time of closure the fund was able to buy 37 double Cubin for all the ATC’S. • There was improvement of accommodation facilities • The ATC’S were running purely on the revolving fund • Water services was improved and 27 bore holes were able to be done • New and improved classroom were added • There was increase on coverage on farmers in 2004 from 11,000 farmers to 118,000 per year • There was improvement in milk production from 5 litres from one cow to 15 litres per day. • There has been accountability on all the ATC’S and an annual evaluation on fixed assets movable and biological assets is carried out • There has been an increase in bulk crop varieties to the tune 150,000 tonnes per year for planting. • The fund was devolved with a total of Kshs 122,897,748.50 in the bank at the National Bank Of Kenya.etc
Other important background information of the fund	Demonstration farm fund was created specifically for running of commercial enterprises at the ATC’S. The fund was established by the Exchequer and Audit ACT CAP 412 laws of Kenya, through the legal notice no 456 of 11th Oct 1990.
Fund duration	The fund started on 11th Oct 1990 through the legal notice No 456 until the time of devolution on 28 th Feb 2014, through the legal notice no 137.

1.4 Bankers

The following are the bankers for the current year:
National Bank;
Capital Hill Branch,
Nairobi.

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

1.5 Auditors

The fund is audited by the Kenya National Audit Office..

1.6 Roles and Responsibilities

Names	Title designation
Philip Makhetai	Head of ATC
John M. Mwaniki	Deputy Head of ATC'
Violet Opar	Accountant

1.7 Funding summary

The Fund was funded through the exchequer issue at the tune of Kshs 12,000,000 in 2004. The fund was devolved to the County Governments and it had a closing amount was kshs 122,897,748.50 as at 30th June 2014.

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

2. STATEMENT OF FUND MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the Ministry of Agriculture, Livestock and Fisheries 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 June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

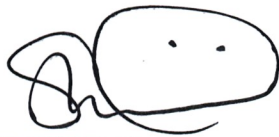
The Principal Secretary for the Ministry of Agriculture, Livestock and Fisheries accept responsibility for the Fund's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting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

The Principal Secretary for the Ministry of Agriculture, Livestock and Fisheries and the Fund Coordinator for Department of Refugee Affairs fund are 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/period ended June 30, 2014, and of the Fund's financial position as at that date. The Principal Secretary for Ministry of Agriculture, Livestock and Fisheries further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund financial statements as well as the adequacy of the systems of internal financial control.

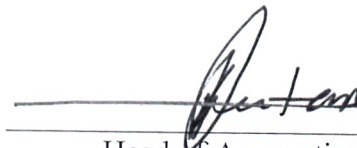
The Principal Secretary for Ministry of Agriculture, Livestock and Fisheries confirms that the Fund has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Fund funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Fund financial statements

The Fund financial statements were approved by the Principal Secretary for the Ministry of Agriculture, Livestock and Fisheries on 30/09/ 2014 and signed



Principal Secretary



Head of Accounting Unit

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH
JUNE 2014**

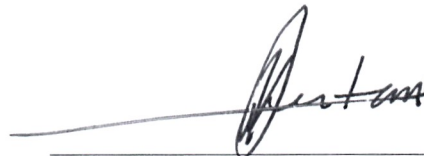
	Note	2014 Kshs	2013 Kshs
RECEIPTS			
Receipts from Training	6.2	68,770,682	96,617,627
Receipts from Sale of Farm Produce	6.3	18,604,787	47,255,366
Total receipts		87,375,469	143,872,993
PAYMENTS			
Training	6.4	32,595,235	41,887,648
Farm produce	6.5	48,385,400	64,401,023
Acquisition of Assets	6.6	131,972,339	0
TOTAL PAYMENTS		212,952,974	106,288,671
(DEFICIT)/SURPLUS FOR THE YEAR		(125,577,505)	37,584,322

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



Principal Secretary

30/09/2014
Date



Head of Accounting Unit

30/09/2014
Date

**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2014

	Note	2013 – 2014 Kshs	2012 – 2013 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6.7	122,897,749	249,543,365
TOTAL FINANCIAL ASSETS		<u>122,897,749</u>	<u>249,543,365</u>
REPRESENTED BY:			
Cash and cash equivalents b/fwd	6.7	249,543,365	199,060,871
Adjustment	6.8	(1,068,112)	12,898,172
Surplus/Deficit for the year		(125,577,505)	37,584,322
NET FINANCIAL POSITION		<u>122,897,749</u>	<u>249,543,365</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/09/2014 and signed by:



Principal Secretary

Date 30/09/2014



Head of Accounting Unit

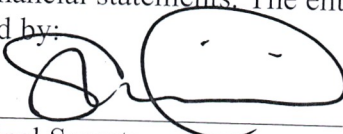
Date 30/09/2014

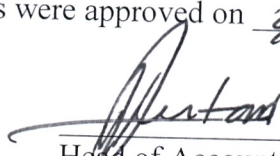
**DEMONSTRATION FARMS FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014**

6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2014

	Notes	2013 – 2014 Kshs	2012 – 2013 Kshs
Receipts for operating income			
Receipts from Training	6.2	68,770,682	96,617,627
Receipts from Sale of Farm Produce	6.3	18,604,787	47,255,366
Payments for operating expenses			
Training	6.4	(32,595,235)	(41,887,648)
Farm produce	6.5	(48,385,400)	(64,401,023)
Net cash flow from operating activities		6,394,834	37,584,322
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6.6	(131,972,339)	-
Net cash flows from Investing Activities		(131,972,339)	-
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
Adjustment	6.8	(1,068,112)	12,898,172
NET INCREASE IN CASH AND CASH EQUIVALENT		(126,645,616)	50,482,494
Cash and cash equivalent at BEGINNING of the year		249,543,365	199,060,871
Cash and cash equivalent at END of the year		122,897,749	249,543,365

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 30/09/2014 and signed by:


Principal Secretary


Head of Accounting Unit

30/09/2014
Date

30/09/2014
Date

7. NOTES TO THE FINANCIAL STATEMENTS

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

7.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Fund.

i. **Recognition of revenue and expenses**

The Fund recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Fund. In addition, the Fund recognises all expenses when the event occurs and the related cash has actually been paid out by the Fund.

ii. **In-kind donations**

In-kind donations are contributions made to the Fund 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 of in-kind donations can be reliably determined, the Fund includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

iii. **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 imp rests and advances to authorised public officers and/or institutions which had not been surrendered or accounted for at the end of the financial period.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iv. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

v. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Fund'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. A high-level assessment of the Fund's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

vi. Exchange rate differences

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

vii. 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.

viii. 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, 2014.

7.2 RECEIPTS FROM TRAINING

	2013 – 2014	2012 – 2013
	Kshs	Kshs
2041-Olojororok Agricultural Trainig Centre	876,850	1,289,630
2065 - Kamweti Agricultural Training Centre	1,374,756	2,317,271
2065 - Njabini Agricultural Training Centre	-	1,740,063
2013 - WaruhiuAgricultal Training Centre	1,073,200	923,875
2155 - Kenyatta Agricultural Centre	1,133,295	2,127,022
219 5 - Wambugu Agricultural Centre	4,484,150	11,139,830
3005 - Mtwapa Agricultural Centre	1,871,530	2,849,097
3051 - Lake Kenyatta Agricultural Centre	630,500	2,286,630
3093 - TaitaTaveta Agricultural Centre	286,019	2,143,370
4021 - Embu Agricultural Training Centre	1,661,260	2,222,848
4091 - Isiolo Agricultural Training Centre	871,915	3,697,427
4111 - Kitui Agricultural Training Centre	8,657,162	341,464
4151 - Machakos Agricultural Training Centre	2,046,525	7,159,005
4317 - Kaguru Agricultural Training Centre	1,958,870	8,765,065
5003 - Garissa Agricultural Training Centre	1,448,235	244,570
6011 - Kisii Agricultural Training Centre	5,964,740	6,130,105
6111 - Siaya Agricultural Training Centre	1,922,600	2,103,280
6171 - Maseno Agricultural Training Centre	4,886,360	5,935,309
6211 - Homabay Agricultural Training Centre	3,012,540	7,151,177
7481 - Ngong Agricultural Training Centre	384,170	1,115,381
7173 - Koibatek Agricultural Training Centre	2,893,937	2,516,361
7231 - Chebororwa Agricultural Training Centre	2,433,970	3,731,045
7271 - Kaimosi Agricultural Training Centre	1,922,364	1,553,103
9021 - Bomet Agricultural Training Centre		
9021 - Bukura Agricultural Training Centre	4,566,459	5,016,920
9161 - Bungoma Agricultural Training Centre	10,711,125	8,918,870
9251 - Busia Agricultural Training Centre	1,698,150	3,198,910
Total Receipts from Training	68,770,682	96,617,627

7.3 RECEIPTS FROM SALE OF FARM PRODUCE

	2013 – 2014	2012 – 2013
	Shs	Shs
2041-Olojororok Agricultural Training Centre	155,940	663,720
2065 - Kamweti Agricultural Training Centre	2,793,818	2,883,154
2065 - Njabini Agricultural Training Centre	1,974,000	2,592,352
2013 - Waruhiu Agricultural Training Centre	-	668,300
2155 - Kenyatta Agricultural Centre	425,353	1,418,737
219 5 - Wambugu Agricultural Centre	1,845,154	5,423,180
3005 - Mtwapa Agricultural Centre	779,535	1,260,786
3051 - Lake Kenyatta Agricultural Centre	722,910	461,041
3093 - TaitaTaveta Agricultural Centre	215,504	630,206
4021 - Embu Agricultural Training Centre	444,416	764,980
4091 - Isiolo Agricultural Training Centre	113,860	208,330
4111 - Kitui Agricultural Training Centre	-	624,198
4151 - Machakos Agricultural Training Centre	1,082,425	663,444
4317 - Kaguru Agricultural Training Centre	250,843	4,119,680
5003 - Garissa Agricultural Training Centre	13,400	-
6011 - Kisii Agricultural Training Centre	549,375	2,352,925
6111 - Siaya Agricultural Training Centre	1,592,703	422,934
6171 - Maseno Agricultural Training Centre	188,090	146,400
6211 - Homabay Agricultural Training Centre	264,205	2,688,953
7481 - Ngong Agricultural Training Centre	503,900	1,066,831
7173 - Koibatek Agricultural Training Centre	683,294	2,657,378
7231 - Chebororwa Agricultural Training Centre	2,586,079	11,469,102
7271 - Kaimosi Agricultural Training Centre	-	941,421
9021 - Bomet Agricultural Training Centre	-	342,085
9021 - Bukura Agricultural Training Centre	123,208	810,621
9161 - Bungoma Agricultural Training Centre	856,635	1,353,379
9251 - Busia Agricultural Training Centre	440,140	621,230
	18,604,787	47,255,366

7.4 PAYMENTS FOR FARM PRODUCE

	2013 – 2014	2012 – 2013
	Kshs	Kshs
2041-Olojororok Agricultural Training Centre	2,010,000	455,000
2065 - Kamweti Agricultural Training Centre	4,548,910	2,971,199
2065 - Njabini Agricultural Training Centre	3,710,000	1,917,073
2013 - Waruhiu Agricultural Training Centre	950,000	440,000
2155 - Kenyatta Agricultural Centre	1,263,000	854,381
219 5 - Wambugu Agricultural Centre	2,630,000	2,626,453
3005 - Mtwapa Agricultural Centre	1,000,000	720,000
3051 - Lake Kenyatta Agricultural Centre	-	700,000
3093 - TaitaTaveta Agricultural Centre	-	4,183,046
4021 - Embu Agricultural Training Centre	200,000	500,000
4091 - Isiolo Agricultural Training Centre	-	200,000
4111 - Kitui Agricultural Training Centre	2,570,000	4,722,000
4151 - Machakos Agricultural Training Centre	400,000	1,046,000
4317 - Kaguru Agricultural Training Centre	1,880,000	970,746
5003 - Garissa Agricultural Training Centre	-	-
6011 - Kisii Agricultural Training Centre	700,000	1,000,000
6111 - Siaya Agricultural Training Centre	1,380,000	300,000
6171 - Maseno Agricultural Training Centre	105,200	
6211 - Homabay Agricultural Training Centre	300,000	2,202,000
7481 - Ngong Agricultural Training Centre	230,000	723,000
7173 - Koibatek Agricultural Training Centre	-	-
7231 - Chebororwa Agricultural Training Centre	4,300,000	5,800,000
7271 - Kaimosi Agricultural Training Centre	978,375	1,137,500
9021 - Bomet Agricultural Training Centre		125,000
9021 - Bukura Agricultural Training Centre	536,750	450,000
9161 - Bungoma Agricultural Training Centre	-	7,844,250
9251 - Busia Agricultural Training Centre	920,000	-
0000 - Miyare Agricultural Training Centre	143,000	-
0000 - Soin Agricultural Training Centre	410,000	-
0000 - Moyale Agricultural Training Centre	310,000	-
0000 - Chebara Agricultural Training Centre	200,000	-
0000 - Nakuru Agricultural Training Centre	720,000	-
0000 - Makueni Agricultural Training Centre	200,000	-
	32,595,235	41,887,648

7.5 PAYMENTS FOR FARM PRODUCE TRAINING

	2013 – 2014	2012 – 2013
	Kshs	Kshs
2041-Olojororok Agricultural Trainig Centre	500,000	554,969
2065 - Kamweti Agricultural Training Centre	-	1,235,424
2065 - Njabini Agricultural Training Centre	630,000	663,625
2013 - WaruhiuAgricultal Training Centre	715,000	1,310,000
2155 - Kenyatta Agricultural Centre	-	995,000
219 5 - Wambugu Agricultural Centre	3,300,000	7,600,000
3005 - Mtwapa Agricultural Centre	990,000	1,810,000
3051 - Lake Kenyatta Agricultural Centre	-	1,360,000
3093 - TaitaTaveta Agricultural Centre	1,400,000	1,603,005
4021 - Embu Agricultural Training Centre	1,100,000	1,565,000
4091 - Isiolo Agricultural Training Centre	-	2,283,000
4111 - Kitui Agricultural Training Centre	2,500,000	1,085,600
4151 - Machakos Agricultural Training Centre	2,080,000	5,774,211
4317 - Kaguru Agricultural Training Centre	3,800,000	5,742,975
5003 - Garissa Agricultural Training Centre	1,120,000	1,020,000
6011 - Kisii Agricultural Training Centre	4,035,000	5,600,000
6111 - Siaya Agricultural Training Centre	2,232,000	1,675,800
6171 - Maseno Agricultural Training Centre	3,365,000	3,950,000
6211 - Homabay Agricultural Training Centre	3,400,000	3,115,000
7481 - Ngong Agricultural Training Centre	-	518,776
7173 - Koibatek Agricultural Training Centre	1,100,000	1,800,000
7231 - Chebororwa Agricultural Training Centre	1,600,000	5,462,638
7271 - Kaimosi Agricultural Training Centre	1,080,000	1,431,000
9021 - Bomet Agricultural Training Centre		165,000
9021 - Bukura Agricultural Training Centre	3,838,400	3,880,000
9161 - Bungoma Agricultural Training Centre	7,700,000	
9251 - Busia Agricultural Training Centre	1,900,000	2,200,000
	48,385,400	64,401,023

7.6 ACQUISITION OF ASSETS

	2013 – 2014	2012 – 2013
	Kshs	Kshs
Acquisition of assets	131,972,339	-

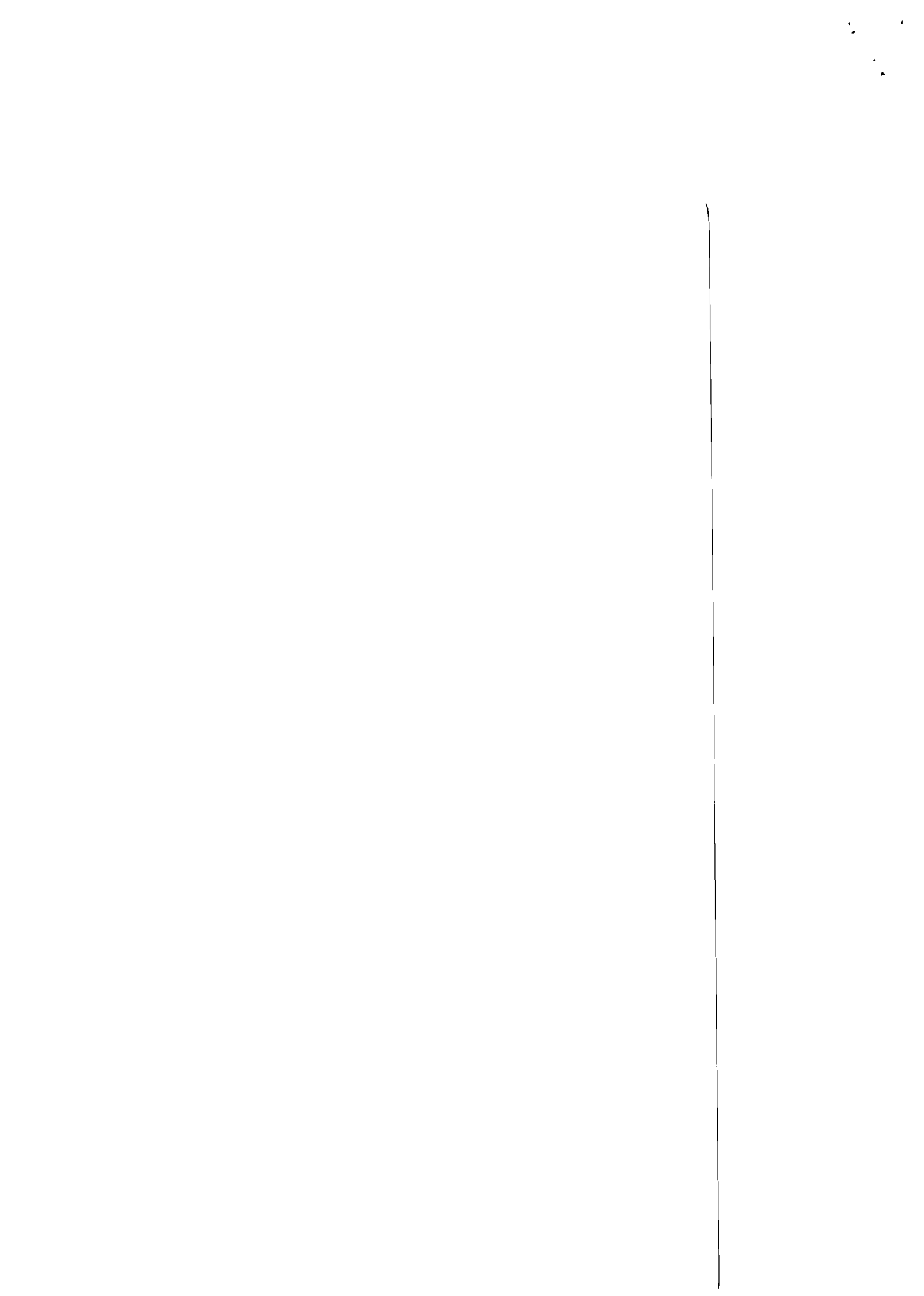
7.7 CASH AND CASH EQUIVALENTS C/FWD

	2013 – 2014	2012 – 2013
	Kshs	Kshs
National bank of Kenya	122,897,749	249,543,365

7.8 ADJUSTMENT

	2013 – 2014	2012 – 2013
	Kshs	Kshs
Adjustment for the year	(1,068,112)	12,898,172

The adjustment for the year relates to unreconciled balances which are to be reconciled before or during the audit.



8. 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	Status:	Timeframe:
493	<p>Presentation of the Financial Statements</p> <p>As previously reported, contrary to the Treasury Circular Ref:AG:3/088/Vol.6/(19) dated May, 2011 and International Financial Reporting Standards (IFRS), the Demonstration Farms Fund financial statements submitted for audit do not include a Statement of Cash Flows, and notes to the financial statements that provide a summary of significant</p> <p>267</p> <p>Accounting policies and other</p>	<p>The cash flow, trial balance and notes to the financial statements have been prepared in line with the revised financial statements and submitted to the auditor for verification.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	<p>additional information that is relevant for the understanding of the information presented in the financial statements. Further, the balances reflected in the financial statements were not supported with Trial Balances at the Balance Sheet date. Consequently, the financial statements for the year ended 30 June, 2013 do not provide relevant, reliable, comparable and understandable information.</p>				
494	<p>Cash and Bank Balance</p> <p>The Fund's Statement of Financial Position (Balance Sheet) as at 30 June, 2013 cash balance of Kshs.249, 543,365.59 differs with the cashbook figure of Kshs.62, 989,306.00by Kshs.186, 554,059.59. No reconciliation or explanation has been provided for the difference.</p>	<p>The reconciliation for the two sets of balances forwarded to the auditor for verification.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
495	<p>Non- Current Assets</p> <p>As reported in the previous year, the Fund's Statement of Financial Position reflects on-current assets and biological assets balances of Kshs.1, 477,467,693.00 and Kshs.251, 088, 161.00 respectively. However, the Ministry did not provide valuation reports and assets register for confirmation of these asset balances. In addition, the Balance of Kshs.1,477,467,693.00 for non-current assets includes Land and Buildings balance of shs.1,165,270,025.00, out of which, title deeds for Miyare and Kwale ATC only were provided for audit verification. Consequently, the existence, ownership and valuation of the Fund's total assets as reflected in the Statement of Financial Position as at 30 June, 2013, could not be ascertained.</p>	<p>The valuation reports and the asset registers were provided to the auditor for review.</p> <p>Three ATC'S Mabanga ,Miyare, and Matuga (Kwale) have title deed.The others are on Government land eg KARI,Livestock holding ground,Vet Farms and soil Conservation Farms.</p>			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
496	The current assets balance of Kshs.589,455,920.59 as at 30 June, 2013 includes Kshs.88,824,394.00 in respect of training and accommodation expenses explained as representing assets used for training purposes. The current assets balance as at 30 June, 2013 is therefore not fairly stated.	This was an error where Kshs 88,824,394.00 had been included under farm inputs and also as a standalone item. This has been corrected in the revised accounts and the figure is Kshs 24,034,885.15.			
497	<p>Variances in the Financial Statements</p> <p>The following variances were noted between the Financial Statements figures and the supporting records availed for audit examination:</p> <ul style="list-style-type: none"> i. Land & Buildings Additions Ksh. (100,598,085) ii. Machinery Additions Ksh. 25,926,320 iii. Farm Vehicles Additions Ksh. 27,889,000 <p>Capital 2 and Financing by GOK and Donor</p>	The variances was reconciled and forwarded to the auditor for verification			
498.		The error was corrected			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	<p>The Balance Sheet reflects Capital 2 balance of Kshs.245, 492,339.00 and an increase of Kshs.115,980,388.34 in respect of Finance by GOK and Donor during the year.</p> <p>However, no documents were provided for audit to support these balances.</p> <p>Consequently, the accuracy and validity of these balances as at 30 June, 2013 could not be ascertained.</p>	<p>in revised financial statements and submitted to the auditor for verification.</p>			