

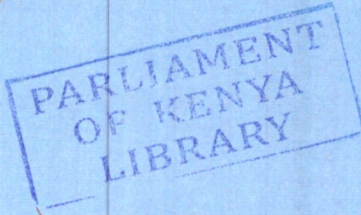
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

PAPER LAID BY THE  
MAJORITY PARTY WITH  
HON. BENJAMIN  
WASHIAHI, CBS, MP ON  
2<sup>ND</sup> OCTOBER 2018  
IBM



OF

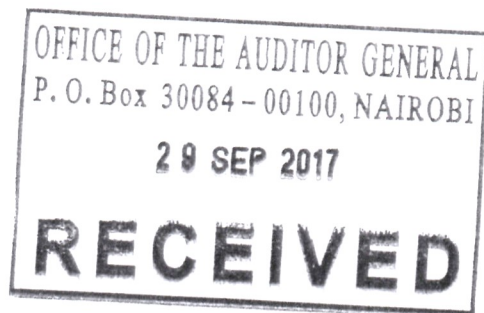
THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
STANDARDS AND MARKET ACCESS  
PROGRAMME (EU CREDIT  
NO.KE/FED/023-566)

FOR THE YEAR ENDED  
30 JUNE 2017

STATE DEPARTMENT OF LIVESTOCK



**PROJECT NAME: STANDARDS AND MARKET ACCESS PROGRAMME**

**IMPLEMENTING ENTITY: DEPARTMENT OF LIVESTOCK**

**PROJECT GRANT/CREDIT NUMBER: 2012/023-566**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2017**

**ISSUED ON: SEPTEMBER 30, 2017 (UNAUDITED)**

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

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## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The project's official name is **Standards and Market Access Programme**.

**Objective:**

The key objective of the project is to enhance market access and competitiveness of Kenya's animal and plant based products through adoption of relevant international standards and improved regulation and enforcement in the country.

**Address:** The project headquarters offices are in Nairobi, Nairobi city county, Kenya.

The address of its registered office is:

Private Bag Kangemi 00625  
Vetlabs Kabete  
Off Waiyaki Way  
Nairobi Kenya.

**Contacts:** The following are the project contacts

Telephone: (254) 0202043282  
E-mail: [smapdvs@gmail.com](mailto:smapdvs@gmail.com)  
Website: [www.kilimo.go.ke](http://www.kilimo.go.ke)

### 1.2 Project Information

Project Start Date:	The project start date is 1 <sup>ST</sup> JULY 2014
Project End Date:	The project end date is 30 <sup>th</sup> June 2017
Project Coordinator:	The project Coordinator is Dr. William K. Maritim
Project Sponsor:	The project sponsor is EDF/European Union

### 1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Livestock-Ministry of Agriculture, Livestock and Fisheries
Project number	2012/023-566

*Standards and Market Access Programme (SMAP)  
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For the financial year ended June 30, 2017*

<p>Strategic goals of the project</p>	<p>The strategic goals of the project are as follows:</p> <ol style="list-style-type: none"> <li>I. To contribute to the domestic of international standards for animal and plant based products.</li> <li>II. To enhance the capacities of the key Kenyan institutions in the enforcements of standards for animal and plant-based products and in service delivery,</li> <li>III. To broaden the demand for SPS testing and standardization of quality in animal and plant based products.</li> </ol>
<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means and its expected results and main activities of are as follows:</p> <ol style="list-style-type: none"> <li>i) <b>Result 1: Enhanced set of standards and regulations for Kenyan plant and animal-based products.</b> DVS will provide inputs on standards related to plant and animal-based products. In addition, DVS will document existing Kenya measures for animal and animal products.</li> <li>ii) <b>Stronger institutional capacity for relevant testing and certification of Kenyan plant and animal-based products-</b> DVS will improve surveillance and risk analysis capabilities, upgrade its laboratories, enhance technical capacity of the staff and further strengthen decentralization of service delivery.</li> </ol>
<p>Other important background information of the project</p>	<p>The Standards and Market Access Programme (SMAP) is one of the programmes financed from 10th European Development Fund (EDF-10). The Financing Agreement was signed by the Government of Kenya on 6<sup>th</sup> August 2013. The total EDF contribution is € 12.1 million. Out of which DVS will receive about KES 333 million.</p> <p>SMAP focuses on the development of appropriate standards and technical regulations for plant and animal based products and for institutional capability in bio-security, risk profiling and surveillance in order to improve Sanitary and Phytosanitary Standards (SPS) compliance. The aim is to minimize risks and hazards associated with contaminants including microorganisms in order to enhance the basket of quality export products from Kenya.</p> <p>The Directorate of Veterinary Services is expected to manage 41 border inspection posts. Jomo Kenyatta International Airport and other 3 major terrestrial international border posts, where the volume of animal-related traffic justifies the investments in infrastructure/and are prioritized to be equipped with adequate incinerator, rapid test kits and reagents, and ICT equipment.</p>

*Standards and Market Access Programme (SMAP)  
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For the financial year ended June 30, 2017*

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Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i) To addresses the development of standards and products quality regulations for plant and animal based products ii) To addresses institutional capacity to provide appropriate certifications regarding standards and conformity iii) Also address the needs of Kenyan businesses in meeting the standards set for products in regional and international trade through grants to Business Membership Organizations
Project duration	The project started on 1st July 2014 and is expected to run until 30 <sup>th</sup> June 2017

#### **1.4 Bankers**

The following is the Project banker for the current year:

Equity Bank Limited  
SupremeCentre Branch Westlands  
P.O. Box 14959  
Westlands 00800  
Nairobi, Kenya

#### **1.5 Auditors**



The project is audited by the

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O.Box 30084  
GPO 00100  
Nairobi, Kenya

*Standards and Market Access Programme (SMAP)  
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**1.6 Management team Roles and Responsibilities**

The following officers are currently in the running of the project Activities During the financial ended 30<sup>th</sup> June 2017.

NAME	DESIGNATION/QUALIFICATION.
 Dr. Thomas Dulu	BVM(UoN), MSc(UoN). <b>Ag. Director of Veterinary Services</b> State Department of Livestock; Ministry of Agriculture, Livestock and Fisheries.
 Dr William KimutaiMaritim,	BVM(UoN), MSc(UoN). Project Co-ordinator Veterinary Epidemiologist Assistant Director of Veterinary Services
Dr. Leonard Njagi	Deputy Co-ordinator
Dr. Paul Marigi	Monitoring and Evaluation officer
Dr. Peter Kimondo	Extension Services officer
Ms. Rose Matua	Laboratory Services officer
Mr. HenryM.Momata	Project Accountant
Ms. Viola Kiprono	Secretary
Mrs. Leah Romanus	Assistant Secretary
Mr. Francis Muthiani	Driver

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**1.7 Funding summary**

The Project is for duration of three years from 2014 to 2017 with an approved budget of 12.1 million Euros equivalent to KES1,439.9 Million Out of which DVS is to receive about KES 333 million as highlighted in the table below:

Below is the funding summary for the year ended 30<sup>th</sup> June 2017

Source of funds	Donor Commitment-		Amount received to date (30-06-2017)		Undrawn balance to date (30-06-2017)	
	<i>Donor currency- Euros</i>	<i>Kshs</i>	<i>Donor currency- Euros</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>GRANT SUMMARY</b>						
European Union	4,469,810	530,100,000	<b>1,382,056</b>	<b>163,905,819</b>	3,087,754	366,194,181
(i) Loan	-	-	-	-	-	-
<b>Counterpart funds</b>						
Government of Kenya	-	46,800,000	-	31,051,370	-	15,748,630
<b>Total Funding Summary</b>	<b>4,469,810</b>	<b>576,900,000</b>	<b>1,382,056</b>	<b>194,957,189</b>	<b>3,087,754</b>	<b>381,942,811</b>

**1.8 Summary of Overall Project Performance:**

- The Budget performance against actual amounts for current year and for cumulative to-date is per the table provided for the same,
- Physical progress based on outputs, outcomes and impacts since project commencement is as per the project overview,
- On value-for-money achievements various activities have been carried on as stipulated in our budgetary allocation,
- Main implementation challenge was the prolonged procurement timeframe set out and the recommended way forward would be shortening the same.

**1.9 Summary of Project Compliance:**

- There were no significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- There were no consequences suffered on account of non-compliance or likely to be suffered
- There were no adverse effects of actual or potential consequences of non-compliance.

**2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The *Principal Secretary* State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** 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 and as at the end of the financial year (period) ended on June 30, 2017. 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 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 (vi) making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** 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 *Principal Secretary* for the State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2017, and of the Project's financial position as at that date. The *Principal Secretary* State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** 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 as well as the adequacy of the systems of internal financial control.

The *Principal Secretary* State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** 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/period 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 *Principal Secretary* State Department of Livestock-Ministry of Agriculture, Livestock & Fisheries and the *Project Coordinator* for **DVS/SMAP project** on \_\_\_\_\_ 2017 and signed by them.

Principal Secretary  
Dr. Andrew Tuimur, CBS

Date: 28-9-17

Ag. Director of veterinary services  
Dr. Dulu Thomas Daido

Date: 28-9-2017

Project Accountant  
Henry Momata  
ICPAK Member No.20497

Date: 28/9/2017

# REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STANDARDS AND MARKET ACCESS PROGRAMME (EU CREDIT NO. KE/FED/023-566) FOR THE YEAR ENDED 30 JUNE 2017 – STATE DEPARTMENT OF LIVESTOCK

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Standards and Market Access Programme set out on pages 1 to 19, which comprise the statement of financial assets and liabilities as at 30 June 2017 and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015 and Annex II, Section 4.3 of the Financing Agreement signed on 6 August 2013 between European Union and the Republic of Kenya.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Further, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1. Unconfirmed Receipts

The statement of receipts and payments reflects total receipts of Kshs.138,793,767 of which Kshs.31,051,370 relates to transfers from government entities and an amount of Kshs.107,742,397 is said to have been paid for directly by the donor. However, no documentary evidence has been provided to confirm that the amount was received and applied for or by the project in the furtherance of its objectives. I am, therefore, unable to confirm the validity of these receipts.

##### 2. Unsupported Expenditure

The statement of receipts and payments reflects expenditure of Kshs. 873,000 relating to compensation of employees and Kshs. 67,666,107 relating to acquisition of non-financial assets. However, no documentary evidence has been provided to support the expenditure. Consequently, the validity of the expenditure could not be confirmed.

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*Report of the Auditor-General on Standards and Market Access Programme (EU Credit No. KE/FED/023-566) for the Year ended 30 June 2017 – State Department of Livestock*

### 3. Procurement of Goods and Services

The statement of receipts and payments reflects expenditure of Kshs. 102,395,130 under purchase of goods and services, which includes an amount of Kshs. 56,845,077 for utilities, supplies and services as disclosed under Note 8.5 to the financial statements. Included in the expenditure on utilities are unverified payments for consultant services of Kshs. 23,207,343 that were claimed to have been paid directly by the donor and Kshs. 31,031,370 described as GOK expenditure which has neither been analysed nor supported with expenditure records.

In addition, the amount of Kshs. 56,845,077 in respect of utilities, supplies and services as disclosed in Note 8.5 to the financial statements differs with the amount of Kshs. 58,827,928 reflected under the same item in the trial balance. There was no reconciliation or explanation on the variance of Kshs. 1,982,851.

Consequently, the accuracy, completeness and validity of the expenditure on utilities, supplies and services of Kshs. 56,845, 077 could not be confirmed.

### 4. Opening and Operating a Bank Account Without the National Treasury Approval

The programme operates a bank account at a commercial bank but the management failed to provide documentary evidence to prove that the bank account had been authorised by the National Treasury as required section 28 (1) of the Public Finance Management Act, 2012.

### 5. Differences Between the Balances Reflected in the Trial Balance, Statement of Receipts and Payments, Statement of Comparative Budget and Actual Amounts and ANNEX 1 – Variance Explanations for Comparative Budget and Actual Amounts

The trial balance, statement of receipts and payments, statement of comparative budget and actual amounts and annex 1 to the financial statements on variance explanations for comparative budget and actual amounts reflect different balances under various items as shown below:

#### Differences in Actual Amounts

Items	Statement of Receipts and Payments	Trial Balance	Statement of Comparative Budget and Actual Amounts	ANNEX 1 – Variance Explanations – Comparative Budget and Actual Amounts
Proceeds from Domestic and Foreign Grants	107,742,397	163,905,819	139,854,667	163,905,819
Compensation to employees	873,000	844,800	844,800	844,800
Purchase of Goods and Services	102,395,130	102,395,130	170,061,237	141,674,824
Acquisition of Non-Financial Assets	67,666,107	67,666,107	-	27,473,716

Consequently, the accuracy of the financial statements could not be ascertained.

## **6. Undisclosed Non-Financial Assets**

The statement of receipts and payments reflects an expenditure of Kshs. 67,666,107 under acquisition of non-financial assets for the year ended 30 June 2017. Out of this amount, only assets worth Kshs. 27,473,716 were recorded in the assets register and disclosed in the Annex 3-Summary of Fixed Assets Register. The balance of Kshs. 40,192,391 of non-financial assets acquired during the year were not disclosed.

## **7. Budget Presentation and Disclosure**

The presentation of receipts and expenditure items in the Programme budget document provided is not in conformity with the presentation of the items in the financial statements and, therefore, may not be useful for comparison purposes. The budget document also does not have approval signatures.

## **7. Pending Bills**

Bills amounting to Kshs. 6,031,600 relating to the Programme for the year ended 30 June 2017 were not paid in the year 2016/2017 but were instead carried forward to 2017/2018. Had the bills been paid and the expenditure charged to the accounts, the statement of receipts and payments would have reflected a higher deficit of Kshs. 38,144,170 instead of Kshs. 32,112,270 now shown. Failure to settle the bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions of the subsequent year to which they will be charged.

In addition, the list of pending bills provided for audit review does not have details of the tender number, contract sum and invoices. Consequently, it has not been possible to verify or confirm the validity and completeness of the pending bills.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 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.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management intends to have the Project cease operations.

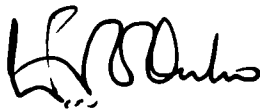
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the Programme's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of Standards and Market Access Programme in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**


**28 December, 2017**

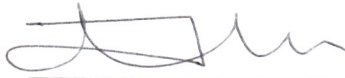
Standards and Market Access Programme (SMAP)  
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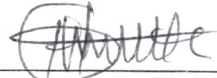
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2017

	Note	2016/17		2015/16		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>						
Transfer from Government entities	8.3 a	31,051,370	-	26,516,409	-	89,292,711
Proceeds from domestic and foreign grants	8.3 b	107,742,397	-	153,638,681	-	368,740,006
<b>TOTAL RECEIPTS</b>		<b>138,793,767</b>	<b>-</b>	<b>180,155,099</b>	<b>-</b>	<b>458,032,746</b>
<b>PAYMENTS</b>						
Compensation of employees	8.4	844,800	28,200	774,400	-	2,348,200
Purchase of goods and services	8.5	102,395,130	-	123,217,277	-	354,345,700
Acquisition of non-financial assets	8.6	67,666,107	-	-	-	67,666,107
<b>TOTAL PAYMENTS</b>		<b>170,906,037</b>	<b>-</b>	<b>123,991,677</b>	<b>-</b>	<b>419,360,007</b>
<b>SURPLUS/DEFICIT</b>		<b>(32,112,270)</b>	<b>28,200</b>	<b>56,163,422</b>	<b>-</b>	<b>38,672,739</b>

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

  
 Principal Secretary  
 Dr. Andrew Tuimur, CBS

  
 Ag. Director of veterinary services  
 Dr. Dulu Thomas Daido

  
 Project Accountant  
 Henry Momata  
 ICPAK Member No.20497  
 Date: 28/9/2017

Date: 28-9-17.

Date: 28-9-2017

(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the Statement of Receipts and Payments. These are payments made by development partners directly on behalf of the Project. In recognising these transactions, the receipts must be equal to the payments made. Therefore there neither a surplus nor deficit is recorded.)

*Standards and Market Access Programme (SMAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2017*

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5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2017

	Note	2016/17 KShs	2015/16 KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8.7.b	24,051,152	56,163,422
<b>Total Cash and Cash Equivalents</b>	<b>8.7.a</b>	<b>24,051,152</b>	<b>56,163,422</b>
<b>TOTAL FINANCIAL ASSETS</b>		<b>24,051,152</b>	<b>56,162,422</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	8.8	56,163,422	-
Surplus/Deficit for the year		(32,112,270)	56,163,422
<b>NET FINANCIAL POSITION</b>		<b>24,051,152</b>	<b>56,163,422</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 \_\_\_\_\_ 2017 and signed by:

Principal Secretary  
Dr. Andrew Tuimur, CBS

Date 28-9-17

Ag. Director of Veterinary Services  
Dr. Dulu Thomas Daido

Date: 28-9-2017

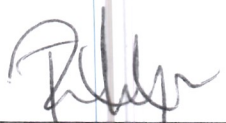
Project Accountant  
Henry M. Momata  
ICPAK Member No.20497

Date: 28/9/2017

**6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2017**

		2016/17	2015/16
	Note	KShs	KShs
<b>Receipts for operating activities</b>			
Transfer from Government entities	8.3a	31,051,370	26,516,409
Proceeds from domestic and foreign grants	8.3b	107,742,397	139,017,103
<b>Payments for operating activities</b>			
Compensation of employees	8.4	(844,800)	(774,400)
Purchase of goods and services	8.5	(102,395,130)	(123,217,277)
<b>Net cash flow from operating activities</b>		<b>35,553,837</b>	<b>41,541,835</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8.6	(67,666,107)	-
<b>Net cash flows from Investing Activities</b>		<b>(67,666,107)</b>	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(32,112,270)</b>	<b>41,541,835</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	8.8	<b>56,163,422</b>	<b>14,621,587</b>
<b>Cash and cash equivalent at END of the year</b>		<b>24,051,152</b>	<b>56,163,422</b>

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 \_\_\_\_\_ 2017 and signed by:



Principal Secretary  
Dr. Andrew Tuimur, CBS

Date: 28/9/17



Ag. Director of Veterinary Services  
Dr. Dulu Thomas Daido

Date: 28-9-2017



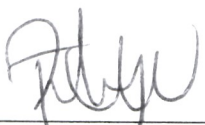
Project Accountant  
Henry M. Momata  
ICPAK Member No.20497

Date: 28/9/2017


**7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

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 %
<b>Receipts</b>						
Transfer from Government entities	35,000,000	11,800,000	46,800,000	31,051,370	15,748,630	67%
Proceeds from domestic and foreign grants	153,000,000	377,100,000	530,100,000	139,854,667	390,245,333	26%
<b>Total Receipts</b>	<b>188,000,000</b>	<b>388,900,000</b>	<b>576,900,000</b>	<b>170,906,037</b>	<b>405,993,963</b>	
<b>Payments</b>						
Compensation of employees	844,800	-	844,800	844,800	0	100%
Purchase of goods and services	187,155,200	388,900,000	576,055,200	170,061,237	405,993,963	30%
<b>Total Payments</b>	<b>188,000,000</b>	<b>388,900,000</b>	<b>576,900,000</b>	<b>170,906,037</b>	<b>405,993,963</b>	

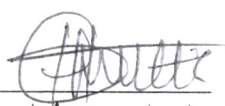
Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

  
 Principal Secretary  
 Dr. Andrew Tuimur, CBS

Date: 28/9/17

  
 Ag. Director of Veterinary Services  
 Dr. Dulu Thomas Daido

Date: 28-9-2017

  
 Project Accountant  
 Henry M. Momata  
 ICPAK Member No.20497

Date: 28/9/2017

## **8. NOTES TO THE FINANCIAL STATEMENTS**

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

### **8.1. Basis of Preparation**

#### **8.1.1. 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.

#### **8.1.2. Reporting entity**

The financial statements are for the Project xxx under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **8.1.3. Reporting currency**

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

### **8.2. Significant Accounting Policies**

#### **a) Recognition of receipts**

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

##### **• Transfers from the Exchequer**

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

##### **• External Assistance**

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

## Significant Accounting Policies (Continued)

### Recognition of receipts (continued)

#### Donations and grants

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

#### Proceeds from borrowing

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

#### Undrawn external assistance

These are loans and grants at reporting date as 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. An analysis of the Project's undrawn external assistance is shown in the funding summary

### Other receipts

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

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

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

- **Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**b) Recognition of payments (continued)**

- **Interest on borrowing**

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

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

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

- **Acquisition of fixed assets**

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

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

**c) In-kind donations**

In-kind contributions are donations that are 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.

**d) 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.

**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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year 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.

**f) Pending bills**

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

**g) 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 to these financial statements.

**h) 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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) 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 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.

**j) 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.

**k) 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, 2017

**l) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.3 a) RECEIPTS FROM GOVERNMENT OF KENYA**

These represent counterpart funding and other receipts from government as follows:

	2016/17 KShs	2015/16 KShs	Cumulative to-date
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	17,500,000	15,300,000	48,662,466
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	13,551,370	11,216,409	40,630,245
Counterpart funds Quarter 4	-	-	-
	<b><u>31,051,370</u></b>	<b><u>26,516,409</u></b>	<b><u>89,292,711</u></b>

*[Provide explanation as necessary]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.3. b) PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2017 we received grants from donors as detailed in the table below:

Name of Donor		Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in	
							KShs	KShs
							FY 2016/17	FY 2015/16
				KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>								
European Union		2017	-	-	107,742,397	-	107,742,397	139,017,103
<b>Total</b>					107,742,397	-	107,742,397	139,017,103

\*. The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.4. COMPENSATION OF EMPLOYEES**

	FY 2016/17			FY 2015/16	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	648,000	-	648,000	568,150	1,762,130
Personal allowances paid as part of salary	192,000	-	192,000	176,000	534,000
Compulsory national social security schemes	4,800	4,800	9,600	8,800	26,400
Compulsory national health insurance schemes	-	23,400	23,400	21,450	53,870
<b>Total</b>	<b><u>844,800</u></b>	<b><u>28,200</u></b>	<b><u>873,000</u></b>	<b><u>774,400</u></b>	<b><u>2,376,400</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.5. PURCHASE OF GOODS AND SERVICES**

	FY 2016/17			FY 2015/16	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	-	-	56,845,077	81,575,059	216,119,359
Communication, supplies and services	-	-	368,153	398,714	819,785
Domestic travel and subsistence	-	-	15,182,450	14,182,450	42,896,483
Foreign travel and subsistence	-	-	2,269,616	1,992,186	6,466,636
Printing, advertising and – information supplies & services	-	-	1,557,550	1,840,334	3,615,717
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	2,158,908	1,631,770	4,407,158
Hospitality supplies and services	-	-	1,187,223	1,121,115	2,621,164
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	20,314,108	19,433,291	40,547,159
Other operating payments	-	-	-	-	-
Routine maintenance – vehicles and other transport equipment	-	-	529,194	1,043,217	2,922,774
Routine maintenance- – other assets	-	-	-	-	26,946,614
Exchange rate losses/gains (net)	-	-	-	-	-
<b>Total</b>		=	<b><u>102,395,130</u></b>	<b><u>123,217,277</u></b>	<b><u>349,345,700</u></b>

**8.6. ACQUISITION OF NON-FINANCIAL ASSETS**

	FY 2016/17			FY 2015/16	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of specialised plant, equipment and machinery	67,666,107	-	67,666,107	-	67,666,107
<b>Total</b>	<b><u>67,666,107</u></b>	=	<b><u>67,666,107</u></b>	=	<b><u>67,666,107</u></b>

*Standards and Market Access Programme (SMAP)*  
*Reports and Financial Statements*  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.7. a) CASH AND CASH EQUIVALENTS CARRIED FORWARD**

	<b>2016/17</b>	<b>2015/16</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts (Note 8.13A)	24,051,152	56,163,422
<b>Total</b>	<b><u>24,051,152</u></b>	<b><u>56,163,422</u></b>

**8.7 b) BANK ACCOUNT**  
**Project Bank Accounts**

	<b>2016/17</b>	<b>2015/16</b>
	<b>KShs</b>	<b>KShs</b>
<b><u>Local Currency Accounts</u></b>		
Equity Bank of Kenya ( A/c No.0261677568)	24,051,152	56,163,422
<b>Total local currency balances</b>	<b><u>24,051,152</u></b>	<b><u>56,163,422</u></b>
<b>Total bank account balances</b>	<b><u>24,051,152</u></b>	<b><u>56,163,422</u></b>

**8.8. FUND BALANCE BROUGHT FORWARD**

	<b>2016/17</b>	<b>2015/16</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	56,163,422	14,621,587
<b>Total</b>	<b><u>56,163,422</u></b>	<b><u>14,621,587</u></b>

**8.9 PENDING ACCOUNTS PAYABLE (See Annex 2A)**

	<b>2016/17</b>	<b>2015/16</b>
	<b>KShs</b>	<b>KShs</b>
Supply of goods	6,031,900.00	0
	6,031,900.00	0

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**9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unexplained difference of Ksh. 14,621,578.00 under foreign grants	The amount was the balance b/f from the prior year	Mr. Momata, Accountant	Resolved	-
2	Lack of documentary evidence to support an amount of Ksh. 81,575,059.00 paid directly by the financier.	The documents were under the custody of ministry headquarters.	Mr. Momata, Accountant	Resolved	-
3	Non inclusion of opening balance amounting to Ksh. 14,621,578.00.	This was an error which was later resolved.	Mr. Momata, Accountant	Resolved	-

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

  
Principal Secretary

  
Ag. Director of Veterinary Services

Date

28-9-17

Date

28-9-2017

*Standards and Market Access Programme (S MAP)  
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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparative Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
GOK	46,800,000	31,051,370	15,748,630	66%	Lack of Exchequer
Grant from EU	530,100,000	163,905,819	366,194,181	31%	Lack of supplies
<b>Total Receipts</b>	<b>576,900,000</b>	<b>194,957,189</b>	<b>381,942,811</b>	-	-
<b>Payments</b>					
Compensation of employees	844,800	844,800	0	100%	-
Purchase of goods and services	548,581,484	141,674,824	406,906,660	26%	Lack of supplies
Acquisition of non-financial assets	27,473,716	27,473,716	0	100%	
<b>Total payments</b>	<b>576,900,000</b>	<b>170,906,037</b>	<b>406,906,660</b>	-	

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
<b>Supply of goods</b>						
1. Flinkingtech Business Supplies	49,500.00		0	49,500.00	0	Payments not made due to Lack of exchequer
2. Kola Traders	1,258,000.00		0	1,258,000.00	0	Payments not made due to Lack of exchequer
3. Casse Investments	2,120,000		0	2,120,000	0	Payments not made due to Lack of exchequer
4. Cedilla Enterprises	200,650.00		0	200,650.00	0	Payments not made due to Lack of exchequer
5. Cedilla Enterprises	511,500.00		0	511,500.00	0	Payments not made due to Lack of exchequer
6. Nathkil Agencies	330,000.00		0	330,000.00	0	Payments not made due to Lack of exchequer
7. Fortude Traders	569,600.00		0	569,600.00	0	Payments not made due to Lack of exchequer
8. Daisyland Supplies	256,000.00		0	256,000.00	0	Payments not made due to Lack of exchequer
9. Vincenc and Africa International	432,700.00		0	432,700.00	0	Payments not made due to Lack of exchequer
10. Bewada Enterprises	303,950.00		0	303,950.00	0	Payments not made due to Lack of exchequer
<b>Sub-Total</b>	<b>6,031,900.00</b>		<b>0</b>	<b>6,031,900.00</b>	<b>0</b>	
<b>Grand Total</b>	<b>6,031,900.00</b>		<b>0</b>	<b>6,031,900.00</b>	<b>0</b>	

ANNEX 3--SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2015/16 (a)	*Purchases/Additions in the Year (KShs) 2016/17 (b)	**Disposals in the Year (KShs) 2016/17 (c)	Closing Cost (KShs) 2017 (d)= (a)+ (b)-(c)
Laboratory Equipment	-	27,473,716	-	27,473,716
<b>Total</b>		<b>27,473,716</b>		<b>27,473,716</b>

Notes

\* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

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**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)