

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT OF AGRICULTURE**

**FOR THE YEAR ENDED**

**30 JUNE 2017**





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**MINISTRY OF AGRICULTURE, LIFESTOCK AND FISHERIES**

**STATE DEPARTMENT FOR AGRICULTURE**

**REVISED REPORTS AND FINANCIAL STATEMENTS**

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

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

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES  
STATE DEPARTMENT FOR AGRICULTURE  
Reports and Financial Statements  
For the year ended June 30, 2017

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The *entity* was formed on 2013/2014 Financial year by merging the Ministry of Agriculture, Ministry of Livestock Development and the Ministry of Fisheries Development. At cabinet level, the *entity* is represented by the Cabinet Secretary for Agriculture, Livestock and Fisheries, who is responsible for the general policy and strategic direction of the *entity*.

### Background

The Ministry of Agriculture, Livestock and Fisheries was formed through the Executive Order No. 2/2013 of 20th May 2013. The Mandate of the Ministry is to create an enabling environment for sustainable development and management of crops, livestock and fisheries resources to ensure the country's food and nutrition security. It comprises of three State Departments namely: Agriculture; Livestock and Fisheries.

### State Department of Agriculture

The State Department has three directorates namely Agricultural Policy Research and Regulation; Crop Resources, Agribusiness and Market Development; and Agriculture Engineering Services.

### Vision

The Vision of the State Department is: "to be the leading agent of food security for all, employment creation, income generation and poverty reduction in Kenya."

### Mission

The mission of the State Department is: "to improve the livelihoods of Kenyans by promoting competitive farming as a business, through appropriate policy environment, effective support services and sustainable natural resources management."

### Mandate

The mandate of the State Department is to ensure sustainable development of agriculture for food security and economic development which includes; Agricultural Policy, Agricultural Land Resources Inventory and Management, Phytosanitary Services, Crop Development, Crops Research, Agricultural Mechanization Services, Food Safety and Inspections, Policy on Land Consolidation for agricultural benefit, Crop Insurance, Strategic Food Reserve and Bio-Safety Management.

### Core functions

- i). Formulation, implementation and monitoring of agricultural policies, legislations, regulations and guidelines;
- ii). Supporting agricultural research and promoting technology delivery;
- iii). Facilitation and representation of agricultural state corporations in the government;
- iv). Development, implementation and co-ordination of strategies, programmes and projects in the agricultural sector;

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- v). Regulation and quality control of inputs, produce and products in the agricultural sector;
- vi). Management and control of trans-boundary pests, diseases and invasive species;
- vii). Collection, maintenance and management of information on agriculture; and
- viii). Promotion of sustainable resource management and utilization.

**Strategic Objectives**

- i. Create an enabling environment for Agricultural development
- ii. Increase agricultural production and productivity
- iii. Enhance national food security
- iv. Improve market access and trade
- v. Strengthen institutional capacity
- vi. Enhance the role of youth, women and vulnerable groups in agriculture
- vii. Promote sustainable natural resources management

**Core values**

To implement this Strategic Plan, the department will be guided by the following values:

- i. Professionalism
- ii. Integrity
- iii. Efficiency and responsiveness
- iv. Partnerships
- v. Gender equity
- vi. Social inclusion

**(b) Key Management**

The *entity's* day-to-day management is under the following key organs:

- Directorate of Agricultural Policy Research and Regulation;
- Directorate of Crop Resources, Agribusiness and Market Development;
- Directorate of Agriculture Engineering Services.

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	<b>Dr. Richard Lesiyampe (PhD); EBS</b>
2.	Director of Administration	<b>Ben Mugambi</b>
3.	Agriculture Secretary	<b>Anne Onyango, MBS</b>
4.	Engineering Secretary	<b>Eng. Jaspar Nkanya, HSC</b>
5.	Director of Crops	<b>Dr. Johnson Irungu (PhD)</b>

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**(d) Fiduciary Oversight Arrangements**

**- Audit and finance committee activities**

The Ministerial Audit Committee has been active vide Treasury Circular No.16/2005 dated 4<sup>th</sup> October, 2005 before introduction of PFM Act, 2012. However during the period under review (2014/2015) the draft PFM (5<sup>th</sup> Zero Draft) Regulations Section 171 to 180 covering the Ministerial Audit Committee have not yet been finalized and approved by Parliament for effective application as required.

**Parliamentary committee activities**

The Ministry handled various issues both the National Assembly and the Senate of Parliament:-

**National Assembly**

- Statements	6
- Petitions	3
- Motions	0
- Workshops/Seminars	2
- Meetings with Departmental Committees	12

The petitions and Statements were requested through Parliament on behalf of Farmers, Groups or Organizations.

**(e) Entity Headquarters**

P.O. Box 30028  
Kilimo House Building  
Cathedral Road  
Nairobi, KENYA

**Entity Contacts**

Telephone: (254) 2718870/9  
E-mail: psagriculture@kilimo.go.ke  
Website: www.go.ke

**(f) Entity Bankers**

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

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2. Kenya Commercial Bank  
Kencom Branch  
Moi Avenue  
Nairobi, Kenya

**(g) Independent Auditors**

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

**(h) Principal Legal Adviser**

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

## II. FORWARD BY THE CABINET SECRETARY

There are various policies to guide the operation of the Ministry of Agriculture, Livestock and Fisheries so as to ensure prudent use of available resources and implementations of programmes and projects aimed at achieving the Ministry's Mandate. However, the ministry has remained focused on the implementation of Kenya's national development agenda as stipulated in the Kenya Vision 2030. Similarly the ministry has continued to address regional and global commitments, particularly implementation of the Comprehensive Africa Agricultural Development Programme (CAADP), Agenda 2063 of the African Union (AU) and Sustainable Development Goals (SDGs).

The ministry through the State Department of Agriculture has made commendable achievements under the fertilizer cost reduction strategy flagship project. Various fertilizers were procured and distributed to farmers as price stabilization mechanism. Further, Toyota Tsusho Corporation was identified as a strategic partner for fertiliser blending and is now undertaking fertilizer blending locally.

Impressive achievements were made on policy, legal and institutional reforms. The Agriculture and Food Act (2013), Crops Act (2013), and Kenya Agricultural and Livestock Research Act (2013) have been enacted, while the Agriculture Food Authority (AFA) has been fully operationalized. The ministry has now fully transferred the devolved agricultural functions as stipulated in the Fourth Schedule of the Constitution to the counties.

To address grain quality issues a total of thirty six (36) mobile grain driers were procured and distributed to the thirty six (36) sub-counties in the main grain production regions. Further, a total of thirteen (13) community-based grain storage facilities were constructed in 10 counties. Agricultural mechanization was promoted through provision of agricultural machinery and equipment to farmer organizations. A total of seventy two (72) tractors, sixteen (16) combine harvesters, fifty two (52) reapers and twenty two (22) threshers were distributed to rice farmers' organizations to increase mechanization in rice farming.

Despite the majors achievements made, it is notable that the performance of agriculture sector has been affected by effects of climate change. Manifestation of climate change in the country are in form of frequent and severe droughts and floods that have devastating consequence on the environment, society and the wider economy. The frequency of droughts and floods has continued to increase and thus, the country has been experiencing severe food scarcity and high food prices. This calls for climate smart agriculture; insurance initiatives among other adaptation and mitigation measures that the ministry is currently undertaking.

Other key implementation challenges include low agricultural productivity; over-subdivision of agricultural land into small uneconomic units; and Pre and post-harvest loses Promoting technology use and innovation, agricultural research and youth engagement in modern

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agriculture. To address these challenges the Ministry will continue promoting appropriate storage facilities; proper handling of farm produces and value addition.

The State Department will place more emphasis in ensuring increased food productivity and outputs, ensuring agricultural products competitiveness, ensuring access to affordable inputs, strengthening of the State Department institution and capacity and designing interventions to attract youth into agricultural activities.

I wish to thank Mr. Henry K. Rotich, the Cabinet Secretary, The National Treasury for the cooperation and continued support. Further, I appreciate Dr. Richard Lesiyampe (PhD), CBS, the State Department of Agriculture Principal Secretary, for the leadership and hard work in handling technical and administrative matters. I am grateful to all technical and administrative staff of the State Department of Agriculture for their team work and dedication that has made it possible to realize achievements of various plans. Finally, I wish to recognize the contribution made by various Private Sector Players, Development Partners and all other sector stakeholders in supporting programmes and projects within the State Department of Agriculture and Ministry at large.

Signed: .....

Date: .....

**Willy Bett**  
**Cabinet Secretary,**  
**Ministry of Agriculture, Livestock and Fisheries**

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III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

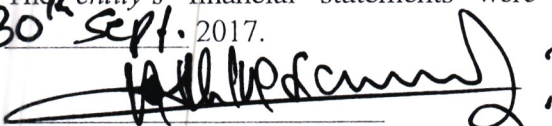
The Accounting Officer in charge of the *State Department for Agriculture* is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 20XX. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of the *State Department for Agriculture* accepts responsibility for the entity'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 (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2017, and of the entity's financial position as at that date. The Accounting Officer charge of the *State Department for Agriculture* further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *State Department for Agriculture* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on 30<sup>th</sup> Sept. 2017.

  
Dr. Richard Lesiyampe (PhD), CBS  
Principal Secretary

  
Phillip M. Gathuya  
Principal Accounts Controller  
ICPAK Member Number: 2501

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**IV. REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT  
OF AGRICULTURE**

\_\_\_\_\_  
Auditor General

\_\_\_\_\_  
Date

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT OF AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of State Department of Agriculture set out on pages 9 to 31, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation : recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department of Agriculture as at 30 June 2017, 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 Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Qualified Opinion

##### 1. Unexplained Performance Variances

Several expenditure items recorded disproportionate comparative increase/decrease when compared with the previous financial year, as detailed below:

Item	2016/2017 KSHS	2015/2016 KSHS	Variance KSHS	% variance
Rental of produced assets	18,494,914	15,515,696	2,979,218	19%
Training expenses	148,975,657	12,157,239	136,818,418	1,125%
Insurance costs	81,262,472	18,565,701	62,696,771	338%
Routine maintenance – other assets	9,715,561	13,545,273	(3,829,712)	28%

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Routine maintenance – vehicles & other transport equipment	7,752,548	12,440,931	(4,688,383)	38%
Fuel and lubricants	9,452,690	14,420,801	(4,968,111)	34%
Office and general supplies and services	6,496,827	22,205,084	(15,708,257)	71%
Domestic travel and subsistence	180,132,196	47,565,023	132,567,173	278%
Foreign travel and subsistence	8,666,909	22,177,102	(13,510,193)	61%
Hospitality supplies and services	164,355,534	7,886,490	156,469,044	1,984%
Specialized materials and services	188,768,012	77,240,955	111,527,057	144%
Social security benefits	5,039,110	9,310,066	(4,270,956)	46%
Acquisition of strategic stocks and commodities	5,067,826,579	1,122,480,692	3,945,345,887	351%
Construction of civil works	41,324,961	674,970,968	(633,646,007)	94%
Rehabilitation of civil works	95,273,709	4,000,000	91,273,709	2,282%
Purchase of certified seeds, breeding stock and live animals	472,996,742	2,703,234	470,293,508	17,397%
Purchase of vehicles and other transport equipment	21,040,383	-	21,040,383	100%
Purchase of specialized plant, equipment and machinery	30,039,988	16,407,245	13,632,743	83%
Basic salaries of permanent employees	529,082,020	616,065,826	(86,983,806)	14%
Basic wages – temporary employees	15,174,603	4,159,969	11,014,634	265%
Personal allowances paid as part of salary	334,328,752	339,883,933	(5,555,181)	2%

No explanation has been provided for these variances.

## 2. Receipts

The statement of receipts and payments reflects amounts of Kshs.477,770,032, Kshs.145,968,360 and Kshs.4,729,258 under proceeds from domestic and foreign grants; proceeds from foreign borrowings; and proceeds from sale of assets respectively. However, these receipts have not been supported with authentic documents, including cash book entries, bank statement entries or any other verifiable documentation. No explanation has been provided for failure to support these receipts. Consequently, the accuracy and completeness of the total receipts figure of Kshs.21,051,423,619 cannot be confirmed.

## 3. Procurement of Subsidized Fertilizer

The statement of receipts and payments reflects an amount of Kshs.5,878,925,563 under use of goods and services, which includes, as disclosed under Note 7 to the financial statements an amount of Kshs.4,998,996,937 described as other operating expenses. This amount includes expenditure on the procurement of subsidized fertilizer.

A review of records availed for audit revealed that a company contracted to deliver 182,000 bags of various types of fertilizer each weighing 50 kilos during the short rains, at a total cost of US\$4,434,733.50 (Kshs.456,777,550.50), did not deliver 17,060 bags costing US\$441,001 (Kshs.45,423,103), in the period under review. The firm was,

however, paid for the full amount of the contract. No reason has been given for the failure by the contracted company to deliver the consignment in full.

#### **4. Outstanding Imprests**

The statement of assets and liabilities reflects a balance of Kshs.24,329,660 under accounts receivable – outstanding imprests (2015/2016 – Kshs.1,425,750), which was outstanding as at 30 June 2017. No satisfactory explanation has been provided for failure to have the imprests accounted for or surrendered on or before 30 June 2017.

#### **5. Pending Bills**

The State Department of Agriculture had pending bills totalling Kshs.419,043,819 as at 30 June 2017 that were not settled during the year 2016/2017 but were instead carried forward to 2017/2018. Had the bills been paid and expenditure charged to the accounts for 2016/2017, the statement of receipts and payments for the year then ended would have reflected a deficit of Kshs.174,568,683 instead of the surplus of Kshs.244,475,136 now shown.

Failure to settle bills during the year to which they relate distorts the financial statements for that year and adversely affects the provisions for the subsequent year to which they have to be charged.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department of Agriculture 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of financial statements. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

#### **Other Matter**

Several matters raised in the Audit Report for 2015/2016 have not been addressed, as shown below:

##### **1. Voidable Expenditure – Procurement of Subsidized Fertilizer**

In my audit report for 2015/2016, it was indicated that the expenditure of Kshs.5,691,502,730 shown in that year's statement of receipts and payments under use of goods and services included, as shown under Note 13 to the financial statements for

that year, expenditure of Kshs.5,368,529 relating to other operating expenses, out of which, payments totalling Kshs.4,189,820,270 were made to National Cereals and Produce Board (NCPB) to meet expenses relating to procurement, handling, storage, transportation, commissions and other charges for subsidized fertilizer. However, included in the payments of Kshs.4,189,820,270 made to NCPB was Kshs.147,574,229 relating to interest on Post Import Facility which arose from a 2013/2014 contractual obligation which the Department failed to honor.

The Department in 2013/2014 had contracted a company to supply and deliver 102,550 metric tons of various types of fertilizer, at an equivalent cost of Kshs.3,782,845,939. The Department subsequently assigned the contract to National Cereals and Produce Board (NCPB), who in turn entered into a Letter of Credit (LC) arrangement with a commercial bank. Upon delivery of the fertilizer and subsequent expiry of the 180 days of the LC, NCPB failed to pay up and the bank converted the LC into a loan chargeable at 14.78% per annum. No satisfactory explanation has been provided to date on why the Department paid interest on a loan arising from a contract that it had assigned fully to NCPB.

## **2. Unsupported Expenditure**

### **(i) Procurement of Seed Potato**

As reported in 2015/2016, the State Department paid an amount of Kshs.25,000,000 to a firm to import seed potato from Netherlands in the financial year 2014/2015. However, the supplier appears to have been single sourced as no evidence was provided to confirm that any competitive procurement procedure was followed as required under the then applicable Section 29 of the Public Procurement and Disposal Act, 2005. Further, no invoice, delivery note or any other documentary evidence was provided to support the payment of Kshs.25,000,000 and to confirm that the seeds were indeed received. A review of the position during the audit of 2016/2017 indicates that the issue has not been resolved.

### **(ii) Procurement of Certified Seeds, Breeding Stock and Live Animals**

It was also reported in 2015/2016 that the expenditure of Kshs.700,718,840 for purchase of certified seeds, breeding stock and live animals incurred during the year 2014/2015 included an amount of Kshs.300,000,000 that was not supported with payment vouchers and related documents. A review of the position in 2016/2017 revealed that the expenditure has not been supported to date.

### **(iii) Purchase and Transportation of Subsidized Fertilizer**

As was also reported in 2015/2016, the State Department disbursed an amount of Kshs.2,129,128,558 to National Cereals and Produce Board (NCPB) as subsidy for purchase of fertilizer to be sold to farmers in the year 2014/2015. However, apart from an invoice and a schedule raised by NCPB, no other verifiable document was produced for audit to confirm the actual quantity of fertilizer bought by NCPB, the quantity sold to the farmers and purchase and selling prices. Consequently, the propriety of the

expenditure of Kshs.2,129,128,558 on subsidized fertilizer could not be ascertained. A review of the position in 2016/2017 revealed that the expenditure is yet to be supported.

#### **(iv) Bulking of Traditional High Value (Orphaned) Crops**

In 2015/2016, it was also reported that the State Department entered into a Kshs.30,095,000 Memorandum of Understanding (MOU) with Kenya Agricultural and Livestock Research Organization (KALRO) in which KALRO was to undertake a multiplication of various traditional high value (orphaned) crops including; cassava, sweet potatoes, cow peas, sorghum, finger millet and beans with an objective of promoting their consumption and reducing over-reliance on maize. The crops were to be distributed for cultivation in Arid and Semi-Arid Lands (ASAL) of Baringo, Makueni, Machakos, Tharaka Nithi, Kirinyaga, Kisumu, Homa Bay, Busia, Kwale and Taita Taveta Counties. Although the amount of Kshs.30,095,000 was released in 2014/2015 to KALRO to undertake the project, no evidence was produced to show that the project was carried out, completed and distribution done to the intended areas. A review of the matter in 2016/2017 revealed that the position still remains as reported.

#### **(v) Purchase of Tablet Gadgets**

As earlier reported in 2015/2016, the Department incurred an expenditure of Kshs.5,584,025 in purchasing 413 tablet gadgets in the financial year 2014/2015. However, no evidence was produced to confirm the requisition for the tablets; whether the gadgets were delivered, received and taken on charge in the stores; and to whom they were distributed. A review of the matter in 2016/2017 revealed that the position remained as reported earlier.

### **3. Procurement of Fertilizer**

- (i) It was further reported in 2015/2016 that the Department advertised Tender No. MOALF/SCMD/AGRIB/12/2014-2015, for supply and delivery of 54,950 metric tons of 8 lots - equivalent to 1,042,730 (50kg) bags of fertilizer in the financial year 2014/2015. Out of the 21 firms that responded, 7 were found to be responsive and awarded contracts to supply the fertilizer at different prices per 50 Kg bag, depending on the region or point of delivery.

Lot 1 was won by bidder No.4 to supply fertilizer at a price of Kshs.2,655 per 50 Kg bag being the lowest evaluated bidder at a total of Kshs.265,500,000. Lot 2 was also won by bidder No. 4 at a price of Kshs.2,430 per 50 Kg bag being a total price of Kshs.364,500,000. Information available indicated that bidder No.4 declined to sign a contract agreement even after delivering their acceptance letter. The Ministerial Tender Committee then made a decision to disqualify the bidder and award the tender to the second lowest bidder, bidder No. 6, at total cost of Kshs.320,000,000 and Kshs.436,850,000 for lots 1 and 2 respectively. Further, and despite our request to the management to produce tender documents and correspondences relating to the disqualified bidder, no documents and records have been provided to date for audit verification.

- (ii) In awarding the contract to the second lowest bidder without giving justifiable reasons why the lowest bidder declined to sign a contract, the State Department lost an amount of Kshs.126,850,000, being the difference between the amount paid to the second lowest bidder and the amount that would have been paid to the lowest bidder, as shown below:

<u>Lot No.</u>	<u>Bidder No. 4</u>	<u>Bidder No.6</u>	<u>Difference</u>
1	265,500,000.00	320,000,000.00	54,500,000.00
2	364,500,000.00	436,850,000.00	72,350,000.00
	<u>630,000,000.00</u>	<u>756,850,000.00</u>	<u>126,850,000.00</u>

A review of the position in 2016/2017 revealed that the matter has not been addressed.

#### **4. Funds Disbursed to Establish Revolving Funds**

- (i) As was reported in 2015/2016, the State Department had entered into two separate Memoranda of Understanding (MOUs) in 2014/2015 with Kenya Agricultural and Livestock Research Organization (KALRO) and Agricultural Development Corporation (ADC) under which the Department was to disburse Kshs.200,789,325 to the two organizations to carry out Potato Seed Multiplication (Bulking). ADC received Kshs.117,500,000 to produce 30,000 (50 Kg) bags of basic seeds, 3,000,000 invitro plantlets and 3,000,000 potato mini-tubers while KALRO received Kshs.27,889,325.00 to produce 34,000 invitro plantlets, 472,220 mini tubers, 12,400 (50 Kg) bags of basic seeds. The amounts were charged under the item of transfers to other Government Units.

The Department also disbursed another Kshs.55,400,000 to the same institutions: Kshs.50,400,000 to ADC and Kshs.5,000,000 to KALRO for the same purpose but charged the expenditure under the item of specialized materials and services.

- (ii) The MOUs provided that once the seed bulking was completed, the seeds would be sold to farmers and the proceeds be used to create two Revolving Funds to sustain a continued increase in production of basic seeds and certified seed potato. However, despite the Department having disbursed the total amount of Kshs.200,789,325 and the seed bulking project completed, the two Revolving Funds had not been established as at the end of the financial year 2016/2017.

#### **5. Non-Submission of Financial Statements and Failure to Account for Funds by Agricultural Sector Coordination Unit (ASCU)**

Agricultural Sector Coordination Unit (ASCU) is an Inter-Ministerial Secretariat established in 2005, under the Ministry of Agriculture, Livestock and Fisheries to facilitate implementation and coordination of agricultural sector strategies in line with Vision 2030. The Unit receives funding from the Government and other development partners and its activities traverse several Ministries. However, the following unsatisfactory matters, like in previous years, have not been resolved:

- (i) Since inception in 2005, the Unit, through the parent Ministry, has not submitted financial statements to the Auditor-General for audit as required by Section 47 of the Public Audit Act, 2015. Although the Ministry had indicated previously that financial statements were prepared for the year ended 30 June 2013, the statements have not been submitted to the Auditor-General for audit.
- (ii) As reported in 2015/2016, the Unit appointed M/s Deloitte & Touche as its auditors in previous years. However, no explanation has been provided for appointing private auditors without the knowledge, consent and approval of the Auditor-General as required by Section 23 of the Public Audit Act, 2015. Consequently, the amount of Kshs.3,131,420 paid to the firm as audit fees (Kshs.1,610,892 for 2012/2013 and Kshs.1,520,528 for 2011/2012) constitutes an irregular expenditure.
- (iii) Although the management of the Secretariat has already been summoned and appeared before the Public Accounts Committee of the National Assembly over this matter, and the Committee directed the management to comply with the law and submit all records, documents and information together with financial statements for all the years since inception, the management has not heeded the directive, and the matter remains unresolved.

### **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 Ministry'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 either intends to liquidate the Ministry or to cease operations, or have no realistic alternative but to do so.

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 Ministry's financial reporting process.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

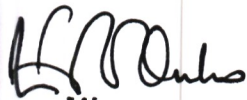
error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement 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.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

**Nairobi**

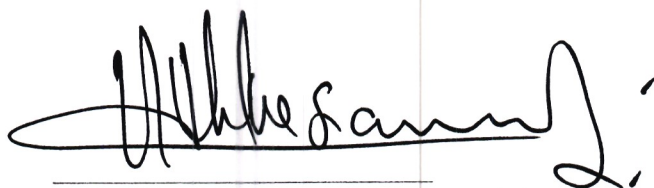
**10 May 2018**

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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>RECEIPTS</b>			
Proceeds from Domestic and Foreign Grants	1	477,770,032	159,663,915
Exchequer releases	2	20,422,955,970	19,368,296,491
Proceeds from Foreign Borrowings	3	145,968,360	285,018,652
Proceeds from Sale of Assets	4	4,729,258	3,145,000
Other Revenues	5	-	349,779
<b>TOTAL RECEIPTS</b>		<b>21,051,423,619</b>	<b>19,818,406,646</b>
<b>PAYMENTS</b>			
Compensation of Employees	6	799,585,375	960,678,485
Use of goods and services	7	5,878,925,563	5,692,471,230
Transfers to Other Government Units	8	8,141,801,465	11,146,799,165
Other grants and transfers	9	165,121,302	123,005,127
Social Security Benefits	10	5,039,110	9,310,066
Acquisition of Assets	11	5,816,475,668	1,886,142,573
<b>TOTAL PAYMENTS</b>		<b>20,806,948,483</b>	<b>19,818,406,646</b>
<b>SURPLUS/DEFICIT</b>		<b>244,475,136</b>	<b>(1,932,809)</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 30<sup>th</sup> Sep 2017 and signed by:



Dr. Richard Lesiyampe (PhD), CBS  
 Principal Secretary



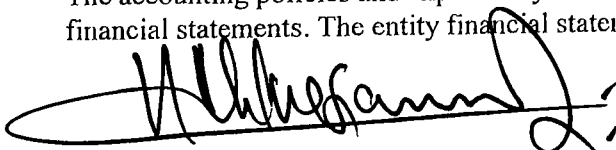
Phillip M. Gathuya  
 Principal Accounts Controller  
 ICPAK Member Number: 2501

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES  
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VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2016-2017 Kshs	2015-2016 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	12A	515,483,047	450,641,073
Cash Balances	12B	2,175	3,175
<b>Total Cash and cash equivalent</b>		<b><u>515,485,222</u></b>	<b><u>450,644,248</u></b>
Accounts receivables – Outstanding Imprests	13	24,329,660	1,425,750
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>539,814,882</u></b>	<b><u>452,069,998</u></b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	14	293,910,821	450,641,073
<b>NET FINANCIAL ASSETS</b>		<b>245,904,061</b>	<b>1,425,750</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	15	1,428,925	3,361,734
Prior year adjustment	16	-	-
Surplus/Deficit for the year		244,475,136	(1,932,809)
<b>NET FINANCIAL POSSITION</b>		<b><u>245,904,061</u></b>	<b><u>1,428,925</u></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 30th Sep 2018 and signed by:



Dr. Richard Lesiyampe (PhD), CBS  
 Principal Secretary



Phillip M. Gathuya  
 Principal Accounts Controller  
 ICPAK Member Number: 2501

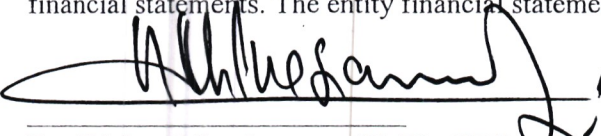
MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES  
STATE DEPARTMENT FOR AGRICULTURE


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VII. STATEMENT OF CASH FLOWS

		2016-2017 Kshs	2015-2016 Kshs
<b>Receipts for operating income</b>			
Proceeds from Domestic and Foreign Grants	3	477,770,032	159,663,915
Exchequer Releases	4	20,422,955,970	19,368,296,491
Other Revenues	11	-	349,779
<b>Payments for operating expenses</b>			
Compensation of Employees	12	(799,585,375)	(960,678,485)
Use of goods and services	13	(5,878,925,563)	(5,692,471,230)
Transfers to Other Government Units	16	(8,141,801,465)	(11,146,799,165)
Other grants and transfers	17	(165,121,302)	(123,005,127)
Social Security Benefits	18	(5,039,110)	(9,310,066)
<b>Adjusted for:</b>			
Adjustments during the year		-	-
<b>Net cash flow from operating activities</b>		<b>5,910,253,187</b>	<b>1,596,046,112</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	8	-	3,145,000
Acquisition of Assets	19	(5,878,925,563)	(1,886,142,573)
<b>Net cash flows from Investing Activities</b>		<b>(5,878,925,563)</b>	<b>(1,882,997,573)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings	6	-	-
Proceeds from Foreign Borrowings	7	145,968,360	285,018,652
Repayment of principal on Domestic and Foreign borrowing	21	-	-
<b>Net cash flow from financing activities</b>		<b>145,968,360</b>	<b>285,018,652</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>474,373,809</b>	<b>(1,932,809)</b>
Cash and cash equivalent at BEGINNING of the year	24	1,428,925	3,361,734
Cash and cash equivalent at END of the year	25	475,802,734	1,428,925

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<sup>th</sup> Sept 2017 and signed by:

  
Dr. Richard Lesiyampe (PhD), CBS  
Principal Secretary  
Name:

  
Phillip M. Gathuya  
Principal Accounts Controller  
ICPAK Member Number: 2501

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VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	-	-	-	-	-	-
Social Security Contributions	-	-	-	-	-	-
Proceeds from Domestic and Foreign Grants	1,234,498,038	16,001,962	1,250,500,000	477,770,032	502,626,648	60%
Exchequer releases				20,422,955,970		
Transfers from Other Government Entities	-	-	-	-	-	-
Proceeds from Domestic Borrowings	-	-	-	-	-	-
Proceeds from Foreign Borrowings	1,525,631,000	(1,000,807,895)	524,823,105	438,943,134	85,879,971	84%
Proceeds from Sale of Assets	29,000,000	-	29,000,000	4,729,258	24,270,742	16%
Reimbursements and Refunds	-	-	-	-	-	-
Returns of Equity Holdings	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
<b>TOTAL</b>		<b>(984,805,933)</b>		<b>21,614,501,895</b>		
<b>PAYMENTS</b>						
Compensation of Employees	982,000,000	(111,100,000)	870,900,000	799,585,375	71,314,625	92%
Use of goods and services	5,800,665,051	391,450,342	6,192,115,393	5,878,925,563	313,189,830	95%
Interest payments	-	-	-	-	-	-
Subsidies	-	-	-	-	-	-
Transfers to Other Government Units	11,535,361,994	(2,201,759,766)	9,333,612,228	8,141,801,465	1,191,810,763	87%
Other grants and transfers	153,266,221	20,000,000	173,266,221	165,121,303	8,144,918	95%
Social Security Benefits	5,102,812	-	5,102,812	5,039,110	63,702	99%
Acquisition of Assets	2,787,946,438	3,713,022,049	6,500,968,487	5,816,475,668	684,492,819	90%
Finance Costs, including Loan Interest	-	-	-	-	-	-

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Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Repayment of principal on Domestic and Foreign borrowing	-	-	-	-	-	-
Other Payments	-	-	-	-	-	-
Total Payments	21,264,342,516	1,811,622,625	23,075,965,141	20,806,948,619	2,269,016,658	90%
Surplus/ Deficit						

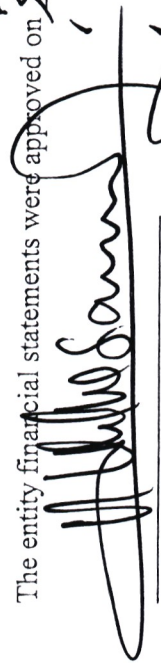
(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "AIA" alongside the revenue category.]

(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]

- i. Xxxx
- ii. Xxxx
- iii. Xxxx
- iv. Xxxx
- v. Xxxx

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23.) The actual on a comparable basis in the Summary Statement of Appropriation: Recurrent and Development Combined should agree to the amounts reported in the Statement of Receipts and Payments.

The entity financial statements were approved on 30<sup>th</sup> Sept 2017 and signed by:



Dr. Richard Lesiyampe (PhD), CBS  
Principal Secretary



Phillip M. Gathuya  
Principal Accounts Controller  
ICPAK Member Number: 2501

Reports and Financial Statements

For the year ended June 30, 2017

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	--	-	-	-	-	-
Social Security Contributions						
Proceeds from Domestic and Foreign Grants	-	-	-	-	-	-
Exchequer releases	11,589,155,909	-	11,589,155,909	11,568,560,000	20,595,909	100%
Transfers from Other Government Entities	-	-	-	-	-	-
Proceeds from Domestic Borrowings	-	-	-	-	-	-
Proceeds from Foreign Borrowings	-	-	-	-	-	-
Proceeds from Sale of Assets	29,000,000	-	29,000,000	4,729,258	27,270,742	16%
Reimbursements and Refunds	-	-	-	-	-	-
Returns of Equity Holdings	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
<b>PAYMENTS</b>						
Compensation of Employees	982,000,000	(111,100,000)	870,900,000	799,585,375	71,314,625	92%
Use of goods and services	696,117,051	269,950,342	966,067,393	695,611,038	270,456,355	72%
Interest payments	-	-	-	-	-	-
Subsidies	-	-	-	-	-	-
Transfers to Other Government Units	5,175,133,779	(925,330,703)	4,249,803,076	4,249,802,783	293	100%
Other grants and transfers	113,266,221	-	113,266,221	112,527,836	738,385	99%
Social Security Benefits	5,102,812	-	5,102,812	5,039,110	63,702	99%
Acquisition of Assets	1,614,456,832	3,798,559,655	5,413,016,487	5,091,747,309	321,269,178	94%
Finance Costs, including Loan Interest	-	-	-	-	-	-

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Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Repayment of principal on Domestic and Foreign borrowing	-	-	-	-	-	-
Other Payments	-	-	-	-	-	-
Totals	8,586,076,695	3,032,079,294	11,618,155,989	10,940,073,586	678,072,403	92%
Surplus/Deficit						

Notes

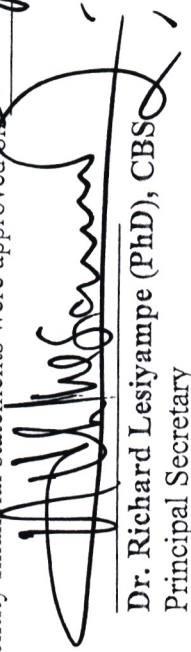
(a) [For the revenue items, indicate whether they form part of the ALA by inserting the "ALA" alongside the revenue category.]


(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]

- i. Xxxx
- ii. Xxxx
- iii. Xxxx
- iv. Xxxx
- v. Xxxx

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 31<sup>st</sup> Sept 2017 and signed by:

  
 Dr. Richard Lesiyampe (PhD), CBSO,  
 Principal Secretary

  
 Phillip M. Gathuya  
 Principal Accounts Controller  
 ICPAK Member Number: 2501

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SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Tax Receipts	-					
Social Security Contributions	-					
Proceeds from Domestic and Foreign Grants	1,234,498,038	16,001,962	1,250,500,000	477,770,032	772,729,968	39%
Exchequer releases				8,854,395,970		
Transfers from Other Government Entities	-	-	-	-	-	-
Proceeds from Domestic Borrowings	-					
Proceeds from Foreign Borrowings	1,525,129,000	(1,000,807,895)	524,321,105	438,943,134	85,377,971	84%
Proceeds from Sale of Assets	-	-	-	-	-	-
Reimbursements and Refunds	-	-	-	-	-	-
Returns of Equity Holdings	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-
<b>TOTAL</b>		(984,805,933)		10,041,212,637		
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services						
Interest payments						
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						

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Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Repayment of principal on Domestic and Foreign borrowing						
Other Payments						
Totals						
Surplus/Deficit						

(a) [For the revenue items, indicate whether they form part of the AIA by inserting the "ALA" alongside the revenue category.]

(b) [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization]

- i. Xxxx
- ii. Xxxx
- iii. Xxxx
- iv. Xxxx
- v. Xxxx

(Explain whether the changes between the original and final budget are as a result of reallocations within the budget or other causes as per IPSAS 1.9.23. The totals of actual on comparable basis under the recurrent and development statement should equal to the total on actual on comparable basis under the Combined Summary Statement of Appropriation.)

The entity financial statements were approved on 30th Sept 2017 and signed by:



Dr. Richard Lesiyampe (PhD), CBS  
 Principal Secretary



Phillip M. Gathuya  
 Principal Accounts Controller  
 ICPAK Member Number: 2501

STATE DEPARTMENT FOR AGRICULTURE

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X. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget		Adjustments		Final Budget		Actual on comparable basis		Budget utilization difference	
	2017	Kshs	Kshs	Kshs	2017	Kshs	Date, 2017	Kshs	Kshs	Kshs
General Administration Planning	3,214,896,421		-		3,214,896,421		3,028,152,954		187,441,726	
Agricultural Policy, Legal & Regulatory	3,162,497,077		-		3,162,497,077		2,978,031,604		185,119,733	
Agricultural Planning & Financial Mngt	52,399,344		-		52,399,344		50,121,350		2,321,994	
<b>Crop Development and Management</b>	<b>19,450,021,561</b>		<b>-</b>		<b>19,450,021,561</b>		<b>17,554,686,102</b>		<b>2,722,615,881</b>	
Land and Crops Devt	1,430,611,379		-		1,430,611,379		1,183,667,761		284,828,226	
Food Security Initiatives	14,473,235,156		-		14,473,235,156		13,222,385,731		1,620,241,355	
Quality Assurance & Monitoring	1,993,844,322		-		1,993,844,322		1,644,618,659		769,229,547	
Agricultural Research	1,552,330,704		-		1,552,330,704		1,504,013,952		48,316,752	
<b>Agribusiness and Information Mngt</b>	<b>411,047,159</b>		<b>-</b>		<b>411,047,159</b>		<b>253,412,788</b>		<b>157,634,371</b>	
Agribusiness and Market Development	366,890,687		-							
Agricultural Information Management	44,156,472		-		44,156,472		41,028,742		3,127,730	
<b>GRAND TOTAL</b>	<b>23,075,965,141</b>		<b>-</b>		<b>23,075,965,141</b>		<b>20,443,564,195</b>		<b>3,067,691,979</b>	

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based.)

## XI. SIGNIFICANT ACCOUNTING POLICIES

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

### 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 notes 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 receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### 2. Reporting entity

The financial statements are for the *State Department for Agriculture*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i) *Project xxx*
- ii) *Project yyy*

*(List the projects that have been consolidated under this financial statements)*

### 3. Recognition of receipts and payments

#### a) Recognition of receipts

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

#### Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

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**SIGNIFICANT ACCOUNTING POLICIES**

**Transfers from the Exchequer**

Transfer from Exchequer is 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.

**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 entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 20XX, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

**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.

**b) Recognition of payments**

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

**Compensation of employees**

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

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**SIGNIFICANT ACCOUNTING POLICIES**

**Use of goods and services**

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

**Interest on borrowing**

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

**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 disclosure. This summary is disclosed as an annexure to the entity's financial statements.

**4. In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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 *entity* includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**5. 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.

**SIGNIFICANT ACCOUNTING POLICIES**

**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a

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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 party deposits. As at 30th June 20XX, this amounted to Kshs xxx compared to Kshs xxx in prior period as indicated on note xxxx.

There were no other restrictions on cash during the year

**6. 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 are 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.

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XII. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Date received	Amount in foreign currency	2016-2017	2015-2016
			Kshs	Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>				
JICA-PEGRESS			18,210,394	Xxx
JICA-SHEP PLUS			59,162,204	xxx
<b>Grants Received from Multilateral Donors (International Organisations)</b>				
ADB-DRLSP			52,500,000	xxx
EU-SRP/SMAP			91,858,175	xxx
IFAD-KCEP			256,039,259	
<b>TOTALS</b>			<b>477,770,032</b>	

2 EXCHEQUER RELEASES

Description	2016-2017	2015-2016
	Kshs	Kshs
Total Exchequer Releases for quarter 1	1,451,760,000	3,842,078,400
Total Exchequer Releases for quarter 2	4,405,188,781	5,765,789,100
Total Exchequer Releases for quarter 3	5,664,504,212	6,799,429,900
Total Exchequer Releases for quarter 4	8,901,502,977	2,960,999,001
<b>Total</b>	<b>20,422,955,970</b>	<b>19,368,296,491</b>

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3 PROCEEDS FROM FOREIGN BORROWINGS

	2016-2017	2015-2016
	Kshs	Kshs
Foreign Borrowing -- Draw-downs Through Exchequer	-	-
Foreign Borrowing - Direct Payments	438,943,134	285,018,652
Foreign Currency and Foreign Deposits	-	-
<b>Total</b>	<b>438,943,134</b>	<b>285,018,652</b>

(Provide a brief explanation as from who the borrowing is made and for what purpose.)

4 PROCEEDS FROM SALE OF ASSETS

	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Buildings	-	-
Receipts from the Sale of Vehicles and Transport Equipment	-	-
Receipts from the Sale Plant Machinery and Equipment	1,553,000	160,000
Receipts from Sale of Certified Seeds and Breeding Stock	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
Receipts from the Sale of Inventories, Stocks and Commodities	3,176,258	2,985,000
Disposal and Sales of Non-Produced Assets	-	-
Receipts from the Sale of Strategic Reserves Stocks	-	-
<b>Total</b>	<b>4,729,258</b>	<b>3,145,000</b>

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5 OTHER REVENUES

	2016-2017	2015-2016
	Kshs	Kshs
Interest Received	-	-
Profits and Dividends	-	-
Rents	-	-
Other Property Income	-	-
Sales of Market Establishments	-	-
Receipts from Administrative Fees and Charges	-	-
Receipts from Administrative Fees and Charges - Collected as AIA	-	-
Receipts from Incidental Sales by Non-Market Establishments	-	349,779
Receipts from Sales by Non-Market Establishments	-	-
Receipts from Sale of Incidental Goods	-	-
Fines Penalties and Forfeitures	-	-
Receipts from Voluntary transfers other than grants	-	-
Other Receipts Not Classified Elsewhere	-	-
	-	-
<b>Total</b>	-	<b>349,779</b>

(Explain what other receipts not classified elsewhere relates to All other revenues must be classified into their relevant classes and explained)

6 COMPENSATION OF EMPLOYEES

	2016-2017	2015-2016
	Kshs	Kshs
Basic salaries of permanent employees	470,082,020	616,065,826
Basic wages of temporary employees	15,174,603	4,159,969
Personal allowances paid as part of salary	314,328,752	339,883,933
Personal allowances paid as reimbursements	-	337,507
Personal allowances provided in kind	-	-
Pension and other social security contributions	-	-
Employer Contributions Compulsory national social security schemes	-	231,250
Employer Contributions Compulsory national health insurance schemes	-	-
<b>Total</b>	<b>720,585,375</b>	<b>960,678,485</b>

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**7 USE OF GOODS AND SERVICES**

	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	25,982,796	22,631,970
Communication, supplies and services	14,612,506	15,200,840
Domestic travel and subsistence	180,132,196	47,565,023
Foreign travel and subsistence	8,666,909	22,177,102
Printing, advertising and information supplies & services	9,260,002	7,659,310
Rentals of produced assets	18,494,914	15,515,696
Training expenses	148,975,657	12,157,235
Hospitality supplies and services	164,355,534	7,886,490
Insurance costs	81,262,472	18,565,701
Specialized materials and services	188,768,012	77,240,955
Office and general supplies and services	6,496,827	22,205,084
Other operating expenses	4,998,996,937	5,383,258,816
Routine maintenance -- vehicles and other transport equipment	7,752,548	12,440,931
Routine maintenance – other assets	9,715,561	13,545,273
Exchange Rate Losses	-	-
Fuel and Lubricants	9,452,690	14,420,801
<b>Total</b>	<b>5,878,925,563</b>	<b>5,692,471,231</b>

**8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
See attached list	8,141,801,465	11,146,799,165
<b>TOTAL</b>	<b>8,141,801,465</b>	<b>11,146,799,165</b>

The above transfers were made to the following self-reporting entities in the year:

We have confirmed these amounts with the recipient entities and attached these confirmations as Appendix to this financial statements

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9 OTHER GRANTS AND TRANSFERS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Membership dues and subscriptions to international organizations	102,712,684	77,625,719
Scholarships and other educational benefits	9,815,152	6,651,719
Emergency relief and refugee assistance	-	-
Grants to small businesses, cooperatives, and self employed	52,593,466	38,728,408
Grants to foreign government	-	-
<b>Total</b>	<b>165,121,302</b>	<b>123,005,127</b>

10 SOCIAL SECURITY BENEFITS

Explanation	2016-2017	2015-2016
	Kshs	Kshs
Government pension and retirement benefits	5,039,110	9,310,066
Social security benefits in cash and in kind	-	-
Employer Social Benefits in cash and in kind	-	-
<b>Total</b>	<b>5,039,110</b>	<b>9,310,066</b>

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11 ACQUISITION OF ASSETS

<b>Non Financial Assets</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Purchase of Buildings	-	-
Construction of Buildings	26,772,227	26,000,000
Refurbishment of Buildings	-	40,033
Construction of Roads	-	-
Construction and Civil Works	41,324,961	674,970,968
Overhaul and Refurbishment of Construction and Civil Works	-	-
Purchase of Vehicles and Other Transport Equipment	21,040,383	-
Overhaul of Vehicles and Other Transport Equipment	2,574,723	1,429,522
Purchase of Household Furniture and Institutional Equipment	336,305	934,355
Purchase of Office Furniture and General Equipment	848,150	-
Purchase of ICT Equipment, Software and Other ICT Assets	-	-
Purchase of Specialized Plant, Equipment and Machinery	30,039,988	16,407,245
Rehabilitation and Renovation of Plant, Machinery and Equip.	101,600	261,980
Purchase of Certified Seeds, Breeding Stock and Live Animals	472,996,742	2,703,234
Research, Studies, Project Preparation, Design & Supervision	57,340,302	36,914,544
Rehabilitation of Civil Works	95,273,709	4,000,000
Acquisition of Strategic Stocks and commodities	5,067,826,579	1,122,480,692
Acquisition of Land	-	-
Acquisition of Intangible Assets	-	-
<b>Sub-total</b>	<b>5,816,475,668</b>	<b>1,886,142,573</b>
<b>Financial Assets</b>		
Domestic Public Non-Financial Enterprises	-	-
Domestic Public Financial Institutions	-	-
Foreign financial Institutions operating Abroad	-	-
Other Foreign Enterprises	-	-
Foreign Payables - From Previous Years	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,816,475,668</b>	<b>1,886,142,573</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Developmen t, deposit e.t.c	Exc rate (if in foreig n curre ncy)	2016-2017	2015-2016
				Kshs	Kshs
<i>Central Bank of Kenya A/c No. 1000210087</i>	1,367,729.50	Recurrent	1	1,367,729.49	-
<i>Central Bank of Kenya A/c No. 1000209933</i>	220,204,497.00	Development	1	220,204,497.00	-
<i>Central Bank of Kenya A/c No. 1000212608</i>	296,910,820.45	Deposit	1	293,910,820.45	450,641,073
<b>Total</b>				<b>515,483,046.94</b>	<b>450,641,073</b>

12B: CASH IN HAND

	2016-2017	2015-2016
	Kshs	Kshs
Cash in Hand -- Held in domestic currency	2,175	3,175
Cash in Hand -- Held in foreign currency	-	-
<b>Total</b>	<b>2,175</b>	<b>3,175</b>

Cash in hand should also be analysed as follows:

	2016-2017	2015-2016
	Kshs	Kshs
Head Quarters Cash Office	2,175	3,175
Location 2		
Location 3		
Other Locations ( <i>specify</i> )		
<b>Total</b>	<b>2,175</b>	<b>3,175</b>

[Provide cash count certificates for each as attachments to the financial statements]

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*NOTES TO THE FINANCIAL STATEMENTS (Continued)*

**13: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	24,329,660	1,425,750
Salary advances	-	-
District suspense	-	-
Clearance accounts	-	-
<b>Total</b>	<b>24,329,660</b>	<b>1,425,750</b>

**14. ACCOUNTS PAYABLE**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	293,910,820.45	450,641,073
<b>Total</b>	<b>293,910,820.45</b>	<b>450,641,073</b>

*[Provide short appropriate explanations as necessary]*

**15. FUND BALANCE BROUGHT FORWARD**

<b>Description</b>	<b>2016-2017</b>	<b>2015-2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	450,641,073	296,860,242
Cash in hand	3,175	12,264
Accounts Receivables	1,425,750	3,361,734
Accounts Payables	(450,641,073)	(296,860,242)
<b>Total</b>	<b>1,428,925</b>	<b>3,361,734</b>

*[Provide short appropriate explanations as necessary]*

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16. OTHER IMPORTANT DISCLOSURES

16.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2016 – 2017	2015 – 2016
	Kshs	Kshs
Construction of buildings	xxx	xxx
Construction of civil works	xxx	xxx
Supply of goods	xxx	xxx
Supply of services	xxx	xxx
	xxx	xxx

16.2: PENDING STAFF PAYABLES (See Annex 2)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Senior management	xxx	xxx
Middle management	xxx	xxx
Unionisable employees	xxx	xxx
Others ( <i>specify</i> )	xxx	xxx
	xxx	xxx

16.3: OTHER PENDING PAYABLES (See Annex 3)

	2016 – 2017	2015 – 2016
	Kshs	Kshs
Amounts due to National Government entities	xxx	xxx
Amounts due to Entity entities	xxx	xxx
Amounts due to third parties	xxx	xxx
Others ( <i>specify</i> )	xxx	xxx
	xxx	xxx

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**17. 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)															
<b>State Department of Agriculture</b>																				
1.	<b>Unsupported Expenditure</b>																			
(i)	Procurement of Seed Potato	The Ministry had then to scale down its seed importation plan to the 250MT available. The single sourcing was undertaken as out of the seven firms that had been recommended by the Government of the Netherlands M/s Agrico was the only company with substantial amount of seed at that time and of different varieties. The award of a contract valued at Kshs. 25 million to M/s Agrico to import seed potato from Netherlands for potato multiplication bulking was part of the Ministry's effort to increase the availability of certified seed potato to farmers from the current low of less than 2% of the National requirement to about 30% in 3 years. The payment voucher is available for audit verification.	Mr. Gabriel Mamati Ag. Assistant Director/Supplies Chain Management	Not Resolved																
(iii)	Purchase and Transportation of Subsidized Fertilizer	It is true that the necessary documentation to support the Kshs. 2,129,128,557.70.00 for fertilizer subsidy and Kshs. 74,949,888.90 to support the transportation of fertilizers were not availed for audit verification. The amount of KShs. 74,949,888.90 pertain to the first invoices submitted to MOAFI and were settled in 2014/2015 for transfer of GOK fertilizer as shown below:-	Mr. Gabriel Mamati Ag. Assistant Director/Supplies Chain Management	Not Resolved																
		<table border="1"> <thead> <tr> <th>Date</th> <th>Invoice No.</th> <th>Quantity 50 kg bags</th> <th>Type of fertilizer</th> <th>Cost KShs</th> </tr> </thead> <tbody> <tr> <td>27.11.2014</td> <td>71396</td> <td>39,487</td> <td>NPK 23:23 Transport</td> <td>12,280,764.56</td> </tr> <tr> <td>07.11.2014</td> <td>71397</td> <td>26,595</td> <td>DAP Transport</td> <td>8,346,698.27</td> </tr> </tbody> </table>	Date	Invoice No.	Quantity 50 kg bags	Type of fertilizer	Cost KShs	27.11.2014	71396	39,487	NPK 23:23 Transport	12,280,764.56	07.11.2014	71397	26,595	DAP Transport	8,346,698.27			
Date	Invoice No.	Quantity 50 kg bags	Type of fertilizer	Cost KShs																
27.11.2014	71396	39,487	NPK 23:23 Transport	12,280,764.56																
07.11.2014	71397	26,595	DAP Transport	8,346,698.27																

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Type	Date	Invoice No	Invoice Amount KShs	Total per product KShs	Annex No
07.11.2014	71398	96,874	CAN Transport	31,114,938.90	
26.11.2014	71394	63,986	NPK 23:23 Transport	20,859,446.00	
26.11.2014	71395	8,110	NPK 17:17 Transport	2,348,041.12	
<b>Total</b>				<b>74,949,888.85</b>	

However the total cost for the transfer of the fertilizer was KShs.103,620,457.66 summarized as shown below:-

Type	Date	Invoice No	Invoice Amount KShs	Total per product KShs	Annex No
DAP	07.11.2014	71397	8,346,698.27		
	18.12.2014	71502	2,878,280.99		
	17.07.2015	71664	7,276,306.58	18,501,285.84	I
NPK 23:23:0	27.11.2014	71396	12,280,764.56		
	26.11.2014	71394	20,859,446.00		
	18.12.2014	71501	5,198,939.36	38,339,149.92	II
NPK 17:17:17	26.11.2014	71395	2,348,041.12		
	18.12.2014	71503	3,799,325.56		
	17.07.2015	71662	5,324,298.41	11,471,665.09	III
CAN	07.11.2014	71398	31,114,938.90		
	17.07.2015	71661	4,193,417.91	35,308,356.81	IV
			103,620,457.66	103,620,457.66	

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2.	<p>Bulking of Traditional High Value (Orphaned) Crops</p>	<p>The Counties covered by the project are;Baringo, Makueni, Machakos, Tharaka-Nithi, Kirinyaga, Kisumu, Busia, Kwale, TaitaTaveta and Lamu. Counties benefiting in the long rains season are: Siaya, Pokot, Nakuru, Narok, Kajjado, Elgeyo-Marakwet, Turkana, Samburu, Nyeri, Muranga, Nyandarua, Kiambu, Kitui, Isiolo, Marsabit, Embu, Kilifi, Kwale, Tana River.</p> <p>The project specific objectives are;</p> <ol style="list-style-type: none"> <li>1. To improve farmers access to seeds of traditional high value and drought tolerant crops especially in the arid and semi-arid areas</li> <li>2. To promote diversification to other food crops other than maize</li> <li>3. To improve farmers household food security and nutrition sufficiency</li> <li>4. To improve farmers' income through generation of surplus output for sale</li> <li>5. To reduce the gap between domestic food production and consumption</li> </ol> <p>Achievements of the project</p> <ul style="list-style-type: none"> <li>➤ Improved availability of high quality drought tolerant seeds - 401.25MT of seed distributed</li> <li>➤ Increase in area and production of traditional crops – 68,795ha planted</li> <li>➤ Positive change in the attitude towards traditional crops</li> <li>➤ Improved availability and access to food in semi-arid areas</li> <li>➤ Improved living standards where crops are grown</li> <li>➤ Improve farmers household food and nutrition security</li> </ul>	<p>Mr. Gabriel Mamati          Ag. Assistant Director/Supplies Chain Management</p>	<p>Not Resolved</p>	
3.	<p>Purchase of Techno S9 Tablets</p>	<p>The State Department purchased Tablet Gadgets from Safaricom and attached herewith are all documents which were used to support the expenditure which includes the delivery note from Safaricom, purchase order generated through the IFMIS System and the requisition from the Directorate. Also included herewith are the issue vouchers, receipt voucher to show that the items were received and issued to the Directorate. The relevant documents are attached.</p>	<p>Mr. Gabriel Mamati          Ag. Assistant Director/Supplies Chain Management</p>	<p>Not Resolved</p>	

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1.0	Outstanding Imprest	<p>By the time of audit, the Statement of Assets reflects an outstanding imprest balance of Ksh 1,705,004.00 as at 30<sup>th</sup> June 2015 which include balances of ksh.558,814.00 and ksh.78,500.00 relating to 2012/2013 and 2013/2014 respectively. In relation to the 2014/2015 financial year, the outstanding imprest balance was ksh. 991,090.00 as at 30<sup>th</sup> June 2015.</p> <p>Out of KSH. 991,090.00 outstanding amounts as at 30<sup>th</sup> June 2015 we have established that as at 22<sup>nd</sup> April, 2016, most of these overdue imprests have been surrendered except for a few amounting to Ksh. 192,000.00 of which the names had been forwarded to the Human resource department for recoveries to be made from the officer's salaries. It has however been established that the deductions were not effected on the following officer's salaries because they are not in the payroll of the State department of Agriculture as follows:-</p> <table border="1" data-bbox="542 761 901 1265"> <thead> <tr> <th>P/F NUMBER</th> <th>NAME</th> <th>WARR ANT NO.</th> <th>ISSUE DATE</th> <th>AMOUNT KSH</th> <th>MINISTRY</th> </tr> </thead> <tbody> <tr> <td>2002020690</td> <td>John Lentirangoi</td> <td>214206 5</td> <td>21/11/2014</td> <td>9,000.00</td> <td>Ministry Of Interior&amp;Co-Ord.</td> </tr> <tr> <td>2004038005</td> <td>Laban K. Bett</td> <td>207095 2</td> <td>18/09/2014</td> <td>10,500.00</td> <td>Ministry Of Interior&amp;Co-Ord.</td> </tr> <tr> <td>1999902558 4</td> <td>Michael Mwangangi</td> <td>213160 4</td> <td>13/09/2014</td> <td>20,000.00</td> <td>Ministry Of Interior&amp;Co-Ord.</td> </tr> <tr> <td>2004017790</td> <td>Janiffer M Syongombe</td> <td>223725 4</td> <td>17/02/2015</td> <td>152,500.00</td> <td>State Dept. Of Fisheries</td> </tr> </tbody> </table> <p>We have written to the officers' mother Ministries to have deductions made from their salaries and the same remitted to our Ministry for clearance. (Annex 6). It was also noted that Ksh 296,200.00 had been issued to Mr Hudson Akagata Agesa on 24<sup>th</sup> November, 2014 who is now deceased. The particulars of the case were forwarded to the Human Resource Department for the necessary action to be taken as per the Government regulations.</p>	P/F NUMBER	NAME	WARR ANT NO.	ISSUE DATE	AMOUNT KSH	MINISTRY	2002020690	John Lentirangoi	214206 5	21/11/2014	9,000.00	Ministry Of Interior&Co-Ord.	2004038005	Laban K. Bett	207095 2	18/09/2014	10,500.00	Ministry Of Interior&Co-Ord.	1999902558 4	Michael Mwangangi	213160 4	13/09/2014	20,000.00	Ministry Of Interior&Co-Ord.	2004017790	Janiffer M Syongombe	223725 4	17/02/2015	152,500.00	State Dept. Of Fisheries	Mr. Phillip Gathuya AG. Senior Deputy Accountant General	Not Resolved
P/F NUMBER	NAME	WARR ANT NO.	ISSUE DATE	AMOUNT KSH	MINISTRY																													
2002020690	John Lentirangoi	214206 5	21/11/2014	9,000.00	Ministry Of Interior&Co-Ord.																													
2004038005	Laban K. Bett	207095 2	18/09/2014	10,500.00	Ministry Of Interior&Co-Ord.																													
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2004017790	Janiffer M Syongombe	223725 4	17/02/2015	152,500.00	State Dept. Of Fisheries																													
2.0.	Unapproved Airtime	<p>The Accounting Officer approved the issuance of airtime to the officers indicated in Appendix V as the officers support critical offices in the Ministry and this is in compliance with the Government Circular Ref OP/CAB/15 of 5<sup>th</sup> March 2010.</p>	Mr. Benson Mugambi Director of Administration																															

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6.	Cash and Bank Balances	The figure of Kshs.296,720,242.70 which differed with the correct figure shown in the Statement of Asset of Kshs.296,720,242.00 has been corrected and the error is highly regretted.	Mr. Phillip Gathuya AG. Senior Deputy Accountant General	Not Resolved	
7.	Pending Bills	<p>The figure of Kshs.4,593,870,216.00 chargeable to the Recurrent and Development Vote had not been settled but carried forward to the financial year 2015/2016. It is also true that had this amount been paid, the combined appropriation Account would have reflected a deficit of Kshs.4,590,508,482.00 instead of Kshs.3,361,736.00.</p> <p>During the financial year 2014/2015 the State Department did not receive adequate exchequer from the National Treasury hence unable to pay the bill even though they were fully processed in IFMIS.</p> <p>The State Department has however made efforts to clear these bills. To date bills worth Kshs.1,682,779,770.95 had been cleared. However the balance of Kshs.2,879,161,379.15 is still pending due to lack of budgetary provisions. (Annex 7).</p>	Mr. Gabriel Marnati Ag. Assistant Director/Supplies Chain Management	Not Resolved	
	Other Matter				

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5.	Funds Disbursed to Establish Revolving Funds	<p>KALRO Tigoni received funding from the Ministry as agreed in the MOU with slight delays due to the delayed release of funds from the exchequer. Kshs. 15 million were released in November, 2014 at the beginning of the short rains season 2014 as agreed. However, KALRO were only able to utilize less than half of the amount given (KShs.6.5 million) in the season hence did not achieve the target acreage promised to the Ministry in the MoU. They requested to be given one more season to achieve the target production claiming that though the Ministry released the funds to KALRO Headquarters on time, the same were not released to the implementing institution, KALRO Tigoni on time hence the delay in achieving the agreed targets. The balance of the funds not utilized in the short rains 2014 season (Kshs. 8.5 million) were then utilized in the long rains 2015 season from March, 2015.</p> <p>The Ministry then released Ksh. 12.9 million in May 2015 being the balance of the funds agreed in the MoU (Kshs. 27.9 Million) for KALRO funding. This was to be utilized in the requested 3<sup>rd</sup> season to fully achieve the targeted production agreed in the MoU. However only about a third of these funds (KShs. 4.7 million) were utilized in the 3<sup>rd</sup> season from September, 2015 short rains as KALRO Tigoni claimed that KALRO Headquarters did not release all the funds as disbursed by the Ministry.</p> <p>Hence, the problem of non-achievement of targets is an internal problem at KALRO and not due to funds disbursement by the Ministry. The funds released by the Ministry are still not fully utilized by KALRO Tigoni who claims that the funds are not released by KALRO headquarters on time. KALRO Tigoni reports that they were yet to receive a total of Kshs. 8,189,325 from the Director General, KALRO Headquarter by December, 2015.</p> <p>The Ministry has severally expressed its concern to KALRO on the non-achievement of targets on the agreed timelines and the PS has summoned the KALRO Director General and his team from KALRO Tigoni to his office on 6<sup>th</sup> April, 2016 to explain on the non-achievement of the agreed deliverables despite the Ministry releasing all the funds agreed in the MoU.</p> <p>The Ministry has since 2014 engaged the National Treasury in the setting up Fertilizer and Seed Subsidy Fund whose purpose is to ensure price stabilization of fertilizer and seed. The Draft Legal Notice setting up the Fund under the Public Finance Management Act, 2012, was first submitted to the National Treasury in 2014. The MOU between the Ministry, KALRO and Agricultural Development Corporation was prepared on the basis that the Legal Notice will be operational so that the funds generated from the sale of the seeds to the farmers would be deposited in the Fund. However despite the legal notice not being ready, the two institutions have also had challenges in the bulking of the seed and have not realized any sales by the closure of the 2014/2015 financial year. The State Department has submitted the final draft of the Legal Notice that was prepared by an Inter- Agency Technical Committee to the National Treasury for concurrence and forwarding to the Attorney General for legal drafting</p>	Director General KARLO	Not Resolved
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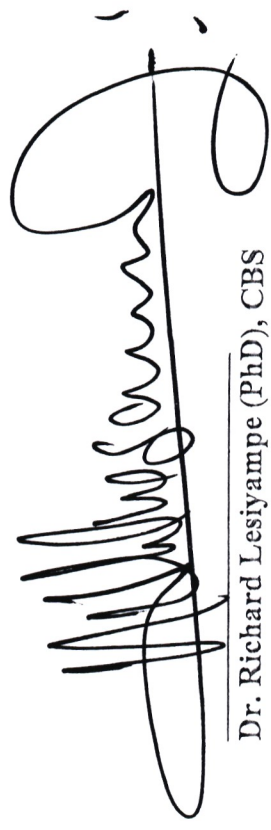
**For the year ended June 30, 2017**

4.	Procurement of Fertilizer	<p>The Ministerial Tender Committee awarded a contract to M/S Global Links Limited who was the lowest responsive bidder for Lot 1 and 2, as recommended by the Tender Evaluation Committee. The bid documents for M/S Global Links Limited were used to develop the contract documents which were then issued to the bidder for signature but they declined to return them. This prompted the Ministry to contract the 2<sup>nd</sup> lowest bidder for Lots 1 and 2.</p> <p>For the above reason, the bid documents are unavailable but the award and acceptance letters are attached.</p> <p>The Ministry did not contravene procurement regulations by awarding the contract for supply and delivery of lot 1 and 2 to second lowest evaluated bidder, M/S Performances Parts Limited. According to the tender document issued to the bidders which also forms part of the contract it is clear on the time required for contract signature. The letter on notification of award (Form 8.8) which is one of the forms comprising the tender document clearly outlined that contracts should be signed within thirty days but not earlier than fourteen days from the date of notification. Since the notification of award to M/S Global link Limited was on 22<sup>nd</sup> December, 2014, it is clear that the 30 days had elapsed and the firm had not shown any intention of signing the contract which prompted the Ministry to go to the second lowest evaluated bidder. Please see the tender documents as issued the bidders for your information.</p>	Mr. Gabriel Mamati Ag. Assistant Director/Supplies Chain Management	Not Resolved
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3.0.	Non-Submissions of financial Statements and Failure to Account for Agricultural Sector Coordination Unit (ASCU)	The Public Accounts Committee is handling the matter and undertook to summon the Principal Secretaries of the State Departments constituting the Inter-Ministerial Committee that was providing oversight for ASCU to provide responses to the outstanding issues on ASCU. The National Project Coordinator of ASCU has to date not availed the financial statements for audit as instructed by the Public Accounts Committee.	Mr. Benson Mugambi Director of Administration	
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**Dr. Richard Lesiyampe (PhD), CBS**  
 Principal Secretary



**Phillip M. Gathuya**  
 Principal Accounts Controller  
 ICPAK Member Number: 2501

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES  
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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

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>Construction of buildings</b>						
1.						
2.						
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of goods</b>						
7.						
8.						
9.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>						

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**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount a	Date Payable Contracted b	Amount Paid To-Date c	Outstanding Balance 2017 d=a-c	Outstanding Balance 2016	Comments
<b>Senior Management</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Middle Management</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Unions/able Employees</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (Special)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount a	Date Payable Contracted b	Amount Paid To-Date c	Outstanding Balance 2017 d=a-c	Outstanding Balance 2016	Comments
1.							
2.							
3.							
	Sub-Total						
4.							
5.							
6.							
	Sub-Total						
7.							
8.							
9.							
	Sub-Total						
10.							
11.							
12.							
	Sub-Total						
	Grand Total						

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**ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2015/2016	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost e/f (Kshs) 2016/2017
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
<b>Total</b>				

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year.

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**ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT OF AGRICULTURE**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes / no)
1.	Kenya Agricultural Productivity and Sustainable Land Management	Percent increase in cultivated area in Technology and increase income of household from SLM	Dr. R. Lesiyampe	Yes
2.	Kenya Adaptation to Climate in Arid and Semi Arid Lands Project	Enhance resilience of communities and sustainability of rural livelihoods in arid & semi arid	Dr. R. Lesiyampe	Yes
3.	Kenya Cereals Enhancement Programme	Contribute to National Food Security by increasing production of cereal staples	Dr. R. Lesiyampe	Yes
4.	Strengthening Fertilizer Quality and Regulatory Standards in Kenya Project	Improve Fertilizer quality stands and awareness of laws to stakeholders	Dr. R. Lesiyampe	Yes
5.	Eastern Africa Agriculture Productivity Project	Strengthening, training and up scaling regional cooperation in generation of technology	Dr. R. Lesiyampe	Yes
6.	Agriculture Sector Development Support Programme	Support the transformation of an innovative, commercial oriented, competitive and modern industry for poverty reduction and improve food security in rural kenya	Dr. R. Lesiyampe	Yes
7.	Small scale Irrigation and Value Addition Project – Grant	Small irrigation and Value Addition to small scale farmers	Dr. R. Lesiyampe	Yes
8.	Kenya Climate Smart Agriculture Project	Improve Smart Agriculture Activities	Dr. R. Lesiyampe	Yes
9.	Drought Resilience and Sustainable Livelihoods Project	Invest in large Multipurpose water infrastructure and livestock production	Dr. R. Lesiyampe	Yes

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**ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT OF AGRICULTURE**

Ref	SCs, SAGA or Public Fund's Name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter-entity reconciliations done?(yes/no)
1.	National Cereals and Produce Board	Cereals	DR. R. Lesiyampe	N/A	No
2.	Agriculture Development Corporation	Seed production	DR. R. Lesiyampe	500,000,000.00	Yes
3.	AFFA	Crop and Food authority	DR. R. Lesiyampe	1,754,500,955.00	Yes
4.	Bukura Agricultural College	Training	DR. R. Lesiyampe	89,485,997.00	Yes
5.	Horticulture Crops Development Authority	Horticulture	DR. R. Lesiyampe	N/A	No
6.	Kenya Plant Health Inspectorate Services	Plant health services	DR. R. Lesiyampe	266,903,212.00	Yes
7.	Kenya Agriculture and Livestock research Organisation (Karlo)	Research on Agriculture and Livestock	DR. R. Lesiyampe	1,445,330,702.00	Yes
8.	Pest Control Products Board	Pest Control	DR. R. Lesiyampe	82,424,796.00	Yes
9.	Pyrethrum Control Board	Production of pyrethrum	DR. R. Lesiyampe	100,000,000.00	Yes
10.	Kenya Seed Company	Seed supply	DR. R. Lesiyampe	N/A	No
11.	Muhoroni Sugar Company	Sugar production	DR. R. Lesiyampe	N/A	No
12.	Nzoia Sugar Company	Sugar production	DR. R. Lesiyampe	N/A	No
13.	Chemelil Sugar Company	Sugar production	DR. R. Lesiyampe	N/A	No
14.	Nyayo Tea Zone	Creation of key buffer zones	DR. R. Lesiyampe	N/A	No
15.	Biosafety Authority	Inspectorate Standards	DR. R. Lesiyampe	108,577,120.00	Yes

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**ANNEX 7- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes