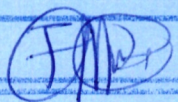


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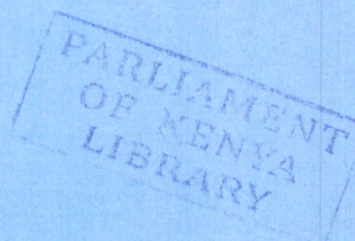


OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 JUL 2019	DAY: TUESDAY
TABLED BY: MAJORITY WHIP	
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REPORT

OF



THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
STATE DEPARTMENT OF AGRICULTURE

FOR THE YEAR ENDED
30 JUNE 2018



**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
STATE DEPARTMENT FOR AGRICULTURE**

REVISED REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

**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, 2018

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The entity was formed in the 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, Fisheries and Irrigation 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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For the year ended June 30, 2018

- 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 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer	Prof. Hamadi I. Boga
2.	Secretary Administration	KelloHarsama
3.	Agriculture Secretary	Anne Onyango, MBS
4.	Engineering Secretary	Eng. David Njogu
5.	Director of Crops	Dr. Johnson Irungu (PhD)

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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 4th October, 2005 before introduction of PFM Act, 2012.

Parliamentary committee activities

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

National Assembly

- Statements
- Petitions
- Motions
- Workshops/Seminars
- Meetings with Departmental Committees

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
2. Kenya Commercial Bank
Kencom Branch

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

Moi Avenue
Nairobi, Kenya

(g) Independent Auditors

Auditor General
Office of the Auditor General
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

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

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For the year ended June 30, 2018

II. FORWARD BY THE CABINET SECRETARY

There are various policies to guide the operation of the Ministry of Agriculture, Livestock, Fisheries and Irrigation 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).

Impressive achievements were made on policy, legal and institutional reforms. Regarding policies and legal issues; 13 Policies and 2 bills were worked on and are at various stages of development; 16 Regulations were submitted to AGs office; 5 MoUs (with Egypt, China, Ethiopia, Turkey and Israel) were developed and signed for implementation.

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. It subsidized 531,481 MT fertilizer which was distributed to 2.3 million farmers. The Ministry enhanced strategic food reserve by availing of 3.09 million 90kg bags of maize and also diversified SFR to include 1297 MT powdered milk. It acquired and distributed 72 tractors with associated implements to rice schemes. In addition 342,000 farmers in 20 counties were assisted to purchase crop insurance products with Kshs 47 mns paid up as premiums; and 23 water structures constructed; 45 ha under small scale irrigation rehabilitated.

The agriculture sector continued to experience challenges particularly from the 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; low technology use and innovation, agricultural research and limited youth engagement in modern agriculture. To address these challenges the Ministry will continue to promote appropriate storage facilities; proper handling of farm produces and value addition; promote use of research and technology; and designing interventions to attract youth into agricultural activities.

The State Department will place more emphasis in achieving the big four agenda and has already set key measures towards 100% Food & Nutrition Security Commitment. Specific focus is on ensuring food affordability; increased small holder production; enhancing agriculture mechanization; increased agro-processing; SMEs establishment and jobs creation.

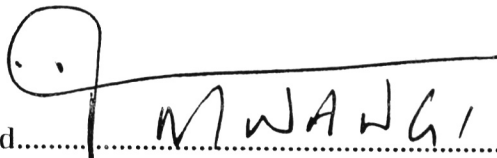
I wish to thank Mr. Henry K. Rotich, the Cabinet Secretary, The National Treasury for the cooperation and continued support. Further, I appreciate Prof. Hamadi I. Boga, the State Department of Agriculture Principal Secretary, for the leadership and hard work in handling technical and administrative matters. I am grateful to all technical and administrative staff of the State

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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 Ministry.

Signed..........

Date.....28/9/2018.....

Hon. Mwangi Kiunjuri, EGH, MGH
Cabinet Secretary

Reports and Financial Statements

For the year ended June 30, 2018

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.

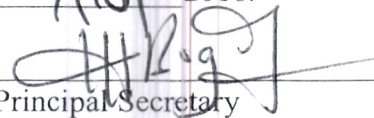
The Accounting Officer in charge of the State Department for Agriculture is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year 2017/2018 ended on June 30, 2018. 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, 2018, and of the entity's financial position as at that date. The Accounting Officer in 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.

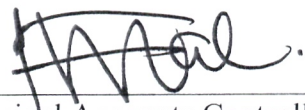
The Accounting Officer in charge of the State Department for Agriculture confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for 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 7/10/2018.


Principal Secretary

Name: **Prof. Hamadi I. Boga**


Principal Accounts Controller

Name: **Francis M. Makumi**

ICPAK Member Number: 6338

REPUBLIC OF KENYA

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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR AGRICULTURE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of State Department for Agriculture for the year ended 30 June 2018 set out on pages 9 to 56, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and summary statements of appropriation-recurrent, development and combined, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Acquisition of Assets

The statement of receipts and payments for the year ended 30 June 2018 reflects an expenditure of Kshs.11,010,139,696 on acquisition of assets. However, the accuracy of the amount could not be confirmed due to the following anomalies:

1.1. Purchase of Motor Vehicles

The expenditure of Kshs.11,010,139,696 on acquisition of assets and as disclosed in Note 11 to the financial statements includes expenditure on construction and civil works amounting to Kshs. 312,920,670. Included in the expenditure on construction and civil works is an expenditure of Kshs. 34,517,100 incurred by the State Department in procuring three motor vehicles, a Subaru Outback GK B 799S and two Toyota Land Cruisers GKB 801S and GKB 802S. The management explained that the three vehicles were procured to facilitate the offices of the Cabinet Secretary and the Principal Secretary. However, the expenditure on the motor vehicles is an irregular charge to public funds since it was not included in the annual budget and procurement plan for the year ended 30 June 2018. In addition, it was charged to the wrong account.

1.2. Procurement of Agriculture Data and Information Management System

The expenditure of Kshs.11,010,139,696 under acquisition of assets as disclosed in Note 11 to the financial statements includes an amount of Kshs.278,786,348 incurred on research, studies, project preparation, design and supervision. Included in the expenditure on research, studies, project preparation, design and supervision, is an amount of Kshs.11,659,600 equivalents to 40% of the contract price of Kshs. 29,149,000 that was paid to a company for supply, delivery, installation, testing and commissioning of a web based Agriculture Data and Information Management System. The contract between the State Department and the company was entered into during the year 2016/2017, and the supplier has been paid Kshs.26,137,600, or 90% of the contract price as of 30 June 2018.

The contract provided that the supplier was to receive the payment upon training, implementation, pilot rollout and commissioning of the system. Although the company has already been paid 90% of the contract price, implementation and commissioning of the system has not been undertaken. In addition, partial training and piloting was only done in Bungoma County. The minutes and correspondences to show which other counties were to benefit were not provided for audit review. As a result, the propriety of the payment of Kshs.26,137,600 could not be confirmed.

2. Use of Goods and Services

2.1. Procurement, Delivery and Distribution of Fertilizer

The statement of receipts and payments for the year ended 30 June 2018, reflects an expenditure of 6,258,483,629 under use of goods and services and as disclosed under Note 6 to the financial statements, includes an amount of Kshs.4,883,928,284, under operating expenses. The latter in turn includes an amount of Kshs.3,639,979,568.50 incurred in the procurement of fertilizer. The State Department advertised an open national tender no. MALF/AGRIB/02/2016-2017 for procurement of various types of fertilizer. Contracts were signed on 17 January 2017 between M/s Export Trading Company Ltd and nine firms registered under the Access to Government Procurement Opportunity (AGPO) Program, for delivery of imported and locally blended fertilizer, respectively on "as and when required" basis.

2.1.1. Budget and Budgetary Allocation for the Fertilizer

The total budget for 2017/2018 financial year was 168,480 metric tonnes of fertilizer worth Kshs.5,038,730,000, comprising 38,000 metric tonnes worth Kshs.1,294,500,000 for the 2017 short rains season and 130,480 metric tonnes worth Kshs.3,744,230,000 for the 2018 long rains season. The budget was later revised upwards to Kshs.5,569,300,200. However, there was no revision in the quantity of fertilizer required. The reason given for the revision of the financial budget was that the State Department had earmarked to clear National Cereals and Produce Board (NCPB) debts which amounted to Kshs.7.99 billion as at 30 June 2018. However, no documentary evidence was provided to indicate that the revision of the budget upwards was related to amounts owing to NCPB.

2.1.2. Amount and Value of Fertilizer Ordered

The State Department ordered 932,000 bags of various types of fertilizer of 50 kilograms each, with the total weightage of 46,600 metric tonnes. Out of these amounts, 40,000 metric tonnes were ordered from M/s Export Trading Company Limited, while the balance of 6,600 metric tonnes were ordered from Access to Government Procurement Opportunities (AGPO) firms. The total value of fertilizer ordered by the State Department was Kshs.2,393,092,810.

In addition, the National Cereals and Produce Board (NCPB) was assigned to order 115,700 metric tonnes of various types of fertilizer by the State Department in the year. The State Department had already in the meantime entered into a contract with the Supplier, M/s Export Trading Company Limited at a cost of Kshs.5,509,776,750. However, the NCPB ordered 103,183.5 metric tonnes of fertilizer only, leaving a balance of 12,516.5 tonnes outstanding at a cost of Kshs.5,719,134,745. No reasons were given for the revision of the contract prices by Kshs.209,357,995 considering the order was less by 12,516.65 tonnes.

Further, out of the 46,600 metric tonnes procured by the State Department from M/s Export Trading Company Limited, 9,991.75 metric tonnes of Diamonium Phosphate (DAP 18:46:0) fertilizer worth Kshs.562,190,809.60 were procured on 8 May 2018 as per Invoice No. ML 780150. However, details of Local Purchase Orders raised by either the State Department or National Cereals and Produce Board were not seen. It is, therefore, not clear which of the two entities was responsible for the procurement. The State Department paid for the consignment through payment voucher number 0255 dated 8 November 2018. This amount was not included in the pending bills for the year 2017/2018.

The total fertilizer ordered by the two entities in the period amounted to 149,775.25 tonnes, all at a cost of Kshs.8,112,227,555 which was shared between the State Department Kshs.2,393,092,810 and National Cereals and Produce Board Kshs.5,719,134,745, respectively. This procurement exceeded the budget amount of Kshs.5,569,300,200 by Kshs.2,542,927,355.

No reason was given for failure by the State Department to order the full amount of 168,480 tonnes of fertilizer as in the approved budgeted. No explanation was provided for the revised cost of the fertilizer.

2.1.3. The Amount of Fertilizer Delivered in the Year Under Review

During the year under review, the State Department received 920,274 bags of various types of fertilizer, while the National Cereals and Produce Board received 1,619,178 bags. All these were handled by NCPB in Mombasa. All the bags were said to weigh 50 kilogrammes each, which translates to 126,972.60 tonnes. The delivery was therefore short by 22,802.65 metric tonnes or 456,053 bags of the order. No reasons were given for the failure to deliver the order in full. No sanctions were imposed on the suppliers for the failure to deliver the full contracted amount.

2.1.4. Amount Paid for the Fertilizer

The State Department paid an amount of Kshs. 1,491,656,363 for the delivery of 29,187.35 metric tonnes of fertilizer or 583,747 bags of fertilizer each weighing 50 kilogrammes. These payments were broken down as follows:

Date	Payment Voucher	Payee	Description of Fertilizer	quantity	Amount Kshs	Remarks
13/10/2017	000745/1	Export Trading Company	– UREA	3171.2 Metric tonnes	175,811,328	Missing payment Voucher
08/12/2017	001240	Export Trading Company	DAP 18:46:0	10,000 Metric tonnes	545,399,000	2017/2018 delivery
08/12/2017	001240	Export Trading Company	CAN 26%	10,000 Metric tonnes	376,519,000	2017/2018 delivery
12/01/2018	001463	First Quality Supplies Ltd	Blend 4, NPKCaMgS; 26:0:0:10:10:0:5	49,939 bags 2,496.95 Metric tonnes	153,063,035	2017/2018 delivery (AGPO)
12/01/2018	001460	Jennitech Systems Company Ltd	Kelphos Single Superphosphate (SSP) 19% P205 granulated	10,000 bags 500 Metric tonnes	31,500,000	2017/2018 deliver (AGPO)
12/01/2018	001461	Saphire Business Solutions	Blend 3, NPKCaMgS; 10:26:10:10:4:5	18,384 bags 919.2 Metric tonnes	64,344,000	2017/2018 deliver (AGPO)
12/01/2018	001459	Purma Holdings Ltd	Blend 9, 12,000 bags of NPK 13:25:6+9Ao+5 S +0.28Zn+0.14B+ 0.13 Cu and 12000 bags of Blend 10, NPK; 11:23:23+4S+0.32Zn +0.19B+0.2Cu	24,000 bags 1,200 Metric tonnes	84,720,000	2017/2018 deliver (AGPO)
12/01/2018	001462	Vesco Communication Company	Organic Hyper Phosphate 28%P205, 15%CaO	18,000 bags 900 Metric tonnes	60,300,000	2017/2018 deliver (AGPO)

Out of the fertilizer procured, ordered and delivered to the State Department of Agriculture of 46,013.70 tonnes, only 29,187.35 tonnes were paid for, while 16,826.35 tonnes had not been paid for according to the information provided for audit review.

It was explained that the expenditure of Kshs.175,811,328 incurred by the State Department of Agriculture to procure 3171.2 metric tonnes of UREA fertilizer from M/s Export Trading Company Ltd was not settled due to lack of funds and management further explained that the payment was voided in the IFMIS on 30 June 2018. However, the cancelled payment voucher was not provided for audit and the expenditure was not reversed in the IFMIS general ledger. Further, in a letter dated 18 October 2018 another company by the name M/s Export Trading Company Inputs Kenya Ltd resubmitted an invoice No 11025 requesting to be paid Kshs.175,811,328 for the UREA fertilizer. The State Department had no contract with M/s Export Trading Company Inputs Kenya Ltd.

In addition, the ledgers indicate that an amount of Kshs.3,639,979,568.50, was paid in respect of the fertilizer delivered, while other records available shows an amount of Kshs.1,491,656,363 only as having been paid, resulting in unreconciled and unexplained difference of Kshs. 2,148,323,205.50. Consequently, the accuracy of operating expenses of Kshs.4,883,928,284 as disclosed under Note 6 to the financial statements, which includes the expenditure on fertilizer during the year under review could not be ascertained.

2.1.5. Distribution of Fertilizer to NCPB Depots

Records provided for audit on proposed distribution of fertilizer revealed that 1,200,000 bags of DAP, 1,014,000 bags of CAN, 100,000 bags of NPK, 50,000 bags of Blend 4 and 24,000 bags of Blend 9 fertilizers were distributed to various counties for both the short rains in October 2017 and long rains in February 2018. The distribution schedule provided by the State Department, showed that 1,200,000 bags of DAP and 1,014,000 bags of CAN were delivered to NCPB and the State Department required NCPB to have the fertilizer distributed to various depots spread across the Country. Records at NCPB on the other hand shows that NCPB was required to distribute 1,400,000 bags of DAP and 1,014,000 bags of CAN of the fertilizer supplied by M/s Export Trading Company Limited. In addition, it was noted that NCPB could only account for 1,398,977 bags of DAP fertilizer as 1,013 bags had not been delivered to the NCPB. No reconciliation was provided between the data provided by the State Department and the data provided by the NCPB in respect of the same supply of fertilizer.

Further, it is not clear how the additional 200,000 bags of DAP fertilizer were introduced into the system. It is also not clear how the 100,000 bags of NPK, 50,000 bags of Blend 4 and 24,000 bags of Blend 9 fertilizers were distributed.

In addition, the CAN fertilizer delivered by M/s Export Trading Company Limited was said to be of poor quality and at one time its loading and distribution had been suspended until quality issues had to be sorted out. The fertilizer was said to be caked and attempts to make it free flowing was unsuccessful. It is not, however, clear how the quality issue was sorted out as it was eventually distributed.

Further the DAP fertilizer was observed to have inconsistent weights which ranged between 46 and 51 kilogrammes. However, this was eventually sorted out and a minimum average weight of 49.5 kilogrammes was agreed upon.

In addition, NCPB had hired an independent company to carry out weights and quality survey on the fertilizer. It is not clear why NCPB had failed to seek the services of the Kenya Bureau of Standards. It is also not clear why the independent company failed to raise the observed weaknesses of weight and quality on time.

It was also noted that there was delay in transporting the fertilizer to the respective depots, and this was mainly because owners of trucks would be given the authority to load but would make not available their trucks in time, sometimes waiting up to 48 hours before providing the trucks. While other trucks would be idle but since they had not been authorized to load, they remained unloaded. Delay in loading the fertilizer had the multiplier effect of delaying the delivery of the fertilizer to the respective depots.

Although the roles of handling the fertilizer at the port of entry, its distribution to the depots and the sale to farmers was vested in the National Cereals and Produce Board, the State Department failed to monitor and obtain feedbacks on the intended impact of the procured fertilizer. It is also not clear, how much of the fertilizer that was procured by both the State Department and the National Cereals and Produce Board on behalf of the State Department was sold to farmers.

2.1.6. Unaccounted Revenue from Sale of Fertilizer

The State Department for Agriculture did not prepare a Statement of Revenue during the year. It was indicated that the National Treasury had not appointed the Accounting Officer, State Department for Agriculture as a Receiver of Revenue. However, the National Cereals and Produce Board was to bank all revenue realized from sale of local blends of fertilizer that were procured by the State Department from AGPO firms in Kenya Commercial Bank for onward transmission to the State Department's account at the Central Bank of Kenya.

The State Department indicated that NCPB had an accumulated sales receipt of Kshs.1,137,911,500 as at 30 June 2018, while NCPB reported revenue amounting to over Kshs.1,400,000,000. It was indicated that the amount was used to offset debts owed to the NCPB as the State Department had failed to settle its obligations related to subsidy claims by NCPB. This is however, is contrary to the requirements of section 76 of the Public Finance Management Act, 2012 which stipulates that, "a receiver of the national government revenue may authorize a public officer employed by the national government or any of its entities to be a collector of revenue for the national government and remit it to the receiver". The State Department explained that the National Treasury had not appointed 'a receiver of revenue' for this kind of revenue for the year, and consequently it was left to the National Cereals and Produce Board.

The State Department indicated that as at 30 June 2018, it had 236,217 bags of various types of fertilizer outstanding in the depots of NCPB. This implies that at least 2,303,235 bags of various types of fertilizer had been sold, which would mean that the NCPB had collected over Kshs.2.3 billion on sale of fertilizer. Under the circumstances, the total revenue collected could not be confirmed.

2.1.7. Formal Agreement Between the State Department and the National Cereals and Produce Board on Distribution of Fertilizer

The assignment contract provides that the State Department is to refund the Cereals Board and Produce Board the subsidy on imported fertilizer. The National Cereals and Produce Board sold fertilizers to farmers at subsidized prices of Kshs.1,500 for a 50kg bag of all planting fertilizer (DAP, NPK 23:23:0, NPK 17:17:17) blends and all top dressing fertilizer (CAN, UREA); and Kshs. 1,300 for a 50Kg bag of Sulphate of Ammonia (SA). Although the imported fertilizer for the short rains as well as the blended fertilizers that the State Department procured from AGPO firms were delivered directly to the depots of National Cereals and Produce Board located in various parts of the country, it was noted that no agreement was signed between the State Department and National Cereals and Produce Board about the handling of the fertilizer stocks as well as the sales proceeds. No evidence was provided to show that the State Department carried out any reconciliations for sales made and quantity delivered by, or outstanding from each of the suppliers as at 30 June 2018. However, it was indicated that as at 30 June 2018, there were 236,217 bags of various types of fertilizer in various depots.

3. Proceeds from Domestic and Foreign Grants

The statement of receipts and payments reflects an amount of Kshs.246,998,224 under proceeds from domestic and foreign grants for the year ended 30 June 2018 and as disclosed in Note 1 to the financial statements. The amount relates to grants received from both bilateral donors and multilateral donors for various projects in the Country. However, a review of financial statements of Kenya Cereals Enhancement Project showed an amount of Kshs.657,772,072, as having been received as grants from the donors while Note 1 discloses amounts of Kshs.124,274,646 and Kshs.77,548,274 as having been received respectively. No explanation or reconciliations were provided for these major variances.

4. Grants and Transfers to Other Government Entities

The statement of receipts and payments reflects an expenditure of Kshs.4,603,016,987 under grants and transfers to other government entities for the year ended 30 June 2018. However, this figure differs with the supporting documentation that reflects an amount Kshs.4,641,464,175 for the same and thus, resulting in an unreconciled and unexplained difference of Kshs.38,447,188.

In addition, as disclosed in Note 8 to the financial statements, the expenditure of Kshs.4,603,016,987 is net of a credit amount of Kshs.4,483,585 indicated to have been received from Small Scale Irrigation and Value Addition Project (SIVAP). However, the SIVAP financial statements indicates that the project received an amount of Kshs.36,437,100 from the State Department as proceeds from domestic and foreign grants. Consequently, the credit of Kshs.4,483,585 said to have been received from SIVAP could not be confirmed.

The expenditure of Kshs.4,603,016,987 also includes Kshs.1,100,000,000 relating to Headquarters Administrative Services and an amount of Kshs.2,497,500,955 indicated as

Agriculture. The amount indicated as headquarters administrative services relates to amounts disbursed to three sugar companies namely; Mumias - Kshs.500,000,000, Chemili I- Kshs.300,000,000 and Nzoia - Kshs.300,000,000, respectively. Further, the amount of Kshs. 2,497,500,955 described as Agriculture refers to transfers to Agriculture Food Authority - Kshs.2,423,500,960 and Pyrethrum Processing Company - Kshs.73,999,995. However, records at the Pyrethrum Processing Company shows that it received Kshs.99,000,000 and thus resulting in an unaccounted for difference of Kshs.25,000,005.

No reasons were given for failure to describe the above amounts correctly in the Notes to the financial statements. No reconciliation was also provided between the amounts indicated as disbursed by the State Department, and the amounts reflected in the respective entities financial statements.

Further, the comparative figures were not given and only the total was disclosed in Note 8 to the financial statements. Consequently, the total expenditure of Kshs.4,603,016,987 under grants and transfers to other government entities for the year ended 30 June 2018 is incorrect and misleading.

5. Subsidies (Government Counterpart Funds)

The statement of receipts and payments reflects an amount of Kshs.264,034,891 under subsidies for the year ended 30 June 2018. The amount relates to government counterpart funds disbursed to Kenya Cereal Enhancement Project, which was co-financed by both a multi-lateral development agencies and the Government of Kenya. The amount of Kshs.264,034,891 under subsidies includes Kshs.180,641,646 described as subsidies to financial institutions under grant Appropriation in Aid and Kshs.83,393,245 described as subsidies to financial institutions under grant revenue. The amount of Kshs.83,393,245 has, however, not been captured in the records of Kenya Cereal Enhancement Project.

6. Accounts Payables – Deposits and Retentions

The statement of assets and liabilities as at 30 June 2018 reflects a balance of Kshs.188,077,485 under accounts payables, which relates to deposits and retentions. It was, however, observed that deposits and retentions balances had an error of Kshs.653,365.20 which was not reconciled or explained. As a result, the accuracy of the deposits balance of Kshs.188,077,485 could not be confirmed.

7. Pending Bills

Disclosed under Annex 1 to the financial statements are pending bills amounting to Kshs.1,013,115,765 as at 30 June 2018 which were not settled in 2017/2018 but carried forward to 2018/2019 financial year. However, supporting documents for the pending bills, including invoices, Local Purchase Orders and/or Local Service Orders as well as contract agreements were not provided to support the list of the pending bills. In addition, pending bills of undetermined value, relating to procurement and receipt of various types of fertilizer in the year under review, have not been disclosed in the Annex.

Further, out of an amount of Kshs.418,184,136 that was disclosed in the pending bills balance as at 30 June 2017, payments amounting to Kshs.72,211,928 were made in the year 2017/2018 leaving an outstanding balance of Kshs.345,972,208. The management did not explain the status of this balance of Kshs.345,972,208 which was not carried forward in the list for 2017/2018. Consequently, the accuracy and validity of the disclosed pending bills balance of Kshs.1,013,115,765 as at 30 June 2018 could not be confirmed.

8. Summary of Fixed Assets Register

Attached as Annex 4 to the financial statements is a Summary of Fixed Assets Register with nil balances. The Accounting Officer of the State Department did not maintain a fixed assets register as required under regulation 143 of the Public Finance Management (National Government) Regulations, 2015. As a result, the breakdown of the assets was not disclosed in the summary of fixed assets register as required under the International Public Sector Accounting Standards (IPSAS) and as prescribed by the Public Sector Accounting Standards Board. Consequently, the existence, ownership and completeness of the non-current assets held by the State Department as at 30 June 2018 could not be ascertained.

Other Matter

Several matters raised in the audit report for 2016/2017 have not been addressed as shown below:

1. Budget Performance

It was noted that several expenditure items recorded disproportionate comparative increase/decrease when compared with the previous financial year, as detailed below: -

Item	2016/2017	2015/2016	Variance	% variance
Rental of produced assets	18,494,914	15,515,696	2,979,218	19%
Training expenses	118,746,335	12,157,239	106,589,096	877%
Insurance costs	78,154,422	18,565,701	59,588,721	321%
Routine maintenance – other assets	8,668,361	13,545,273	(4,876,912)	36%
Routine maintenance – vehicles & other transport equipment	6,755,480	12,440,931	(5,685,451)	46%
Fuel and lubricants	9,422,690	14,420,801	(4,998,111)	35%
Office and general supplies and services	6,417,527	22,205,084	(15,787,557)	71%
Domestic travel and subsistence	180,042,301	47,565,023	132,477,278	279%
Foreign travel and subsistence	5,368,991	22,177,102	(16,808,111)	76%
Hospitality supplies and services	157,295,069	7,886,490	149,408,579	1,894%
Specialized materials and services	151,353,208	77,240,955	74,112,253	96%
Social security benefits	3,207,438	9,310,066	6,102,628	66%
Acquisition of strategic stocks and commodities	5,067,826,579	1,122,480,692	3,945,345,887	351%

Item	2016/2017	2015/2016	Variance	% variance
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	460,655,409	2,703,234	457,952,175	16,941%
Purchase of vehicles and other transport equipment	21,040,383	-	21,040,383	100%
Purchase of specialized plant, equipment and machinery	29,148,013	16,407,245	12,740,768	78%
Basis salaries of permanent employees	423,758,787	616,065,826	(192,307,039)	31%
Basic wages – temporary employees	13,830,203	4,159,969	9,670,234	232%
Personal allowances paid as part of salary	283,282,167	339,883,933	(56,601,766)	17%

No explanations have been provided so far for the variances.

2. Procurement of Subsidized Fertilizer

The statement of receipts and payments for the year ended 30 June 2017 reflected an amount of Kshs.5,878,925,563 under use of goods and services, which included as disclosed under Note 7 to the financial statements an amount of Kshs.4,998,996,937 described as other operating expenses. This amount included expenditure on the procurement of subsidized fertilizer.

A review of the records provided 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 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 the full amount of the contract

3. Receipts

The statement of receipts and payments for the year ended 30 June 2017 reflected amounts of Kshs.287,284,417, 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 had not been supported with authentic documents, including cash book entries, bank statement entries or any other verifiable documentation.

4. Voidable Expenditure – Procurement of Subsidized Fertilizer

In the 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 the State Department failed to honour.

The State 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 State 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.

5. Unsupported Expenditure

(i) Procurement of Seed Potato

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.

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

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.

(iii) Purchase and Transportation of Subsidized Fertilizer

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 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.

(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 Organisation (KARLO) in which KARLO 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 KARLO to undertake the project, no

evidence has been produced to date to confirm that the project was carried out, completed and distribution done to the intended areas.

(v) Purchase of Tablet Gadgets

The State Department incurred an expenditure of Kshs.5,584,025 to purchase 413 tablet gadgets in the financial year 2014/2015. However, no evidence has been produced to date to confirm the requisition for the tablets; whether the gadgets were delivered, received, and taken on charge in the stores; and to whom they are distributed.

6. 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:

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

7. Funds Disbursed to Establish Revolving Funds

(i) 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 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 State 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 State 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 2017/2018.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Management of Imprests

The statement of assets and liabilities as at 30 June 2018 reflects accounts receivables - outstanding imprests balance of Kshs.3,732,177 relating to temporary imprests issued to various officers between 1 July 2017 to 31 December 2017 which had not been surrendered or accounted for by 30 June 2018. Although the management has explained that the surrenders were received after 30 June 2018, it is not clear why it had taken more than six months to surrender the same contrary to the requirements under regulation 93(5) and (6) of the Public Finance Management (National Government) Regulations, 2015.

2. 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 were not submitted to the Auditor-General for audit.

- (ii) As reported in 2015/2016 and 2016/2017, 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) constituted 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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion and Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

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

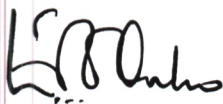
Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, and under Conclusion on Internal Controls, Risk Management and Governance sections of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the State Department for 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.



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

Nairobi

15 March 2019

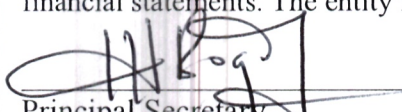
MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

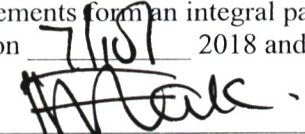
Reports and Financial Statements
For the year ended June 30, 2018

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2017-2018	2016-2017
		Kshs	Kshs
RECEIPTS			
Proceeds from Domestic and Foreign Grants	1	246,998,224	477,770,032
Exchequer releases	2	22,727,943,174	20,422,955,970
Proceeds from Foreign Borrowings	3	731,802,784	145,968,360
Proceeds from Sale of Assets	4	1,560,080	4,729,258
TOTAL RECEIPTS		23,708,304,262	21,051,423,620
PAYMENTS			
Compensation of Employees	5	1,086,362,188	799,585,375
Use of goods and services	6	6,258,483,629	5,878,925,563
Subsidies	7	264,034,891	-
Transfers to Other Government Units	8	4,603,016,987	8,141,801,465
Other grants and transfers	9	106,515,009	165,121,303
Social Security Benefits	10	13,186,358	5,039,110
Acquisition of Assets	11	11,010,139,696	5,816,475,668
TOTAL PAYMENTS		23,341,738,758	20,806,948,484
SURPLUS/DEFICIT		366,565,504	244,475,136
			-

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 7/6/18 2018 and signed by:


Principal Secretary
Name: Prof. Hamadi I. Boga, PHD


Principal Accounts Controller
Name: Francis M. Makumi
ICPAK Member Number: 6338

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

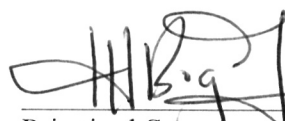
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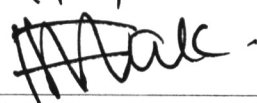
For the year ended June 30, 2018

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2017-2018 Kshs	2016-2017 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	12A	798,792,657	515,483,047
Cash Balances	12B	1,715	2,175
Total Cash and cash equivalent		798,794,372	515,485,222
Accounts receivables – Outstanding Imprests	13	1,752,677	24,329,660
TOTAL FINANCIAL ASSETS		800,547,049	539,814,882
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	14	188,077,485	293,910,821
NET FINANCIAL ASSETS		612,469,564	245,904,061
REPRESENTED BY			
Fund balance b/fwd	15	245,904,061	1,428,925
Prior year adjustment		-	-
Surplus/Deficit for the year		366,565,503	244,475,136
NET FINANCIAL POSSITION		612,469,564	245,904,061

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 7/10/2018 and signed by:


Principal Secretary
Name: **Prof. Hamadi I. Boga**


Principal Accounts Controller
Name: **Francis M. Makumi**
ICPAK Member Number: **6338**

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

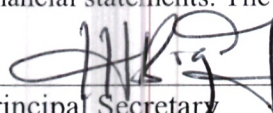
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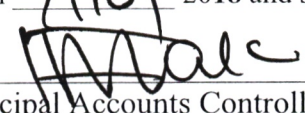
For the year ended June 30, 2018

VII. STATEMENT OF CASHFLOWS

		2017-2018	2016-2017
		Kshs	Kshs
Receipts for operating income			
Proceeds from Domestic and Foreign Grants	1	246,998,224	477,770,032
Exchequer Releases	2	22,727,943,174	20,422,955,970
Payments for operating expenses		22,974,941,398	20,900,726,002
Compensation of Employees	5	1,086,362,188	799,585,375
Use of goods and services	6	6,258,483,629	5,878,925,563
Subsidies	7	264,034,891	-
Transfers to Other Government Units	8	4,603,016,987	8,141,801,465
Social Security Benefits	9	106,515,009	165,121,303
Social Security Benefits	10	13,186,358	5,039,110
		(12,331,599,062)	(14,990,472,816)
Adjusted for:			
Changes in receivables		22,576,983	
Changes in payables		(105,833,336)	
Adjustments during the year		39,682,488	-
Net cashflow from operating activities		10,686,916,200	5,910,253,187
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	4	1,560,080	
Acquisition of Assets	11	(11,010,139,696)	(5,878,925,563)
Net cash flows from Investing Activities		(11,008,579,616)	(5,878,925,563)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Domestic Borrowings			
Proceeds from Foreign Borrowings	3	731,802,784	145,968,360
Repayment of principal on Domestic and Foreign borrowing		-	-
Net cash flow from financing activities		731,802,784	145,968,360
NET INCREASE IN CASH AND CASH EQUIVALENT		322,991,638	474,373,809
Cash and cash equivalent at BEGINNING of the year		475,802,734	1,428,925
Cash and cash equivalent at END of the year		798,794,372	475,802,734

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 7/10/2018 and signed by:

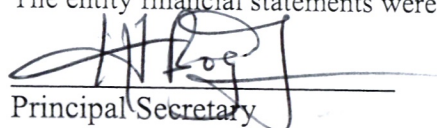

Principal Secretary
Name: Prof. Hamadi I. Boga

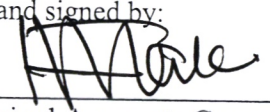

Principal Accounts Controller
Name: Francis M. Makumi
ICPAK Member Number: 6338

VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	542,263,732	48,658,597	590,922,328	246,998,224	343,924,104	42%
Transfers from Other Government Entities	15,183,501,537	11,111,966,901	26,295,468,438	22,727,943,174	3,567,525,264	86%
Proceeds from Domestic Borrowings	0	0	0	0	0	#DIV/0!
Proceeds from Foreign Borrowings	0	0	0	0	0	#DIV/0!
Proceeds from Sale of Assets	435,435,500	992,713,222	1,428,148,722	731,802,784	696,345,938	51%
Reimbursements and Refunds	3,250,000	0	3,250,000	1,560,080	1,689,920	48%
TOTAL RECEIPTS	16,164,450,769	12,153,338,720	28,317,789,488	23,708,304,261	4,609,485,227	84%
PAYMENTS						
Compensation of Employees	673,968,000	437,486,965	1,111,454,965	1,086,362,188	25,092,777	98%
Use of goods and services	4,602,421,803	5,169,150,895	9,771,572,697	6,258,483,629	3,513,089,068	64%
Subsidies	432,000,000	(69,430,800)	362,569,200	264,034,891	98,534,309	73%
Transfers to Other Government Units	1,988,094,426	2,866,062,581	4,854,157,007	4,603,016,987	251,140,020	95%
Other grants and transfers	127,633,111	40,138,262	167,771,372	106,515,009	61,256,363	63%
Social Security Benefits	3,000,000	15,800,000	18,800,000	13,186,358	5,613,642	70%
Acquisition of Assets	2,328,852,287	9,705,861,660	12,034,713,947	11,010,139,696	1,024,574,251	92%
TOTAL PAYMENTS	10,155,969,626	18,165,069,562	28,321,039,188	23,341,738,761	4,979,300,427	82%
Surplus/ Deficit	6,008,481,143	(6,011,730,843)	(3,249,700)	366,565,500	(369,815,200)	

The entity financial statements were approved on 7/10/2018 and signed by:


Principal Secretary
Name:

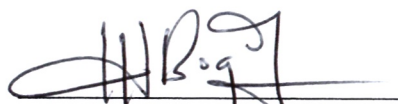

Principal Accounts Controller
Name: **Francis M. Makumi**
ICPAK Member Number: **6338**

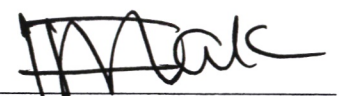
Report and Financial Statements
For the year ended June 30, 2018

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	6,282,100,000	9,755,798,340	16,037,898,340	15,459,251,391	578,646,949	96%
Proceeds from Sale of Assets	3,250,000		3,250,000.00	1,560,080	1,689,920	48%
TOTAL RECEIPTS	6,285,350,000	9,755,798,340	16,041,148,340	15,460,811,471	580,336,869	96%
PAYMENTS						
Compensation of Employees	515,550,000	385,550,000	901,100,000	900,819,052	280,948	100%
Use of goods and services	371,111,103	306,885,574	677,996,676	637,075,623	40,921,053	94%
Transfers to Other Government Units	1,541,366,890	2,686,666,890	4,228,033,779	4,223,484,219	4,549,560	100%
Other grants and transfers	56,633,111	56,633,111	113,266,221	52,553,535	60,712,686	46%
Social Security Benefits	3,000,000	15,800,000	18,800,000	13,186,358	5,613,642	70%
Acquisition of Assets	980,158,524	9,125,042,841	10,105,201,364	10,022,334,465	82,866,899	99%
TOTAL PAYMENTS	3,467,819,626	12,576,578,414	16,044,398,040	15,849,453,252	194,944,789	99%
Surplus/Deficit	2,817,530,374	(2,820,780,074)	(3,249,700)	(388,641,781)	385,392,081	

The entity financial statements were approved on 7/10/2018 and signed by:

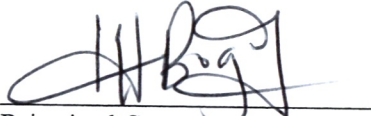

Principal Secretary
Name:

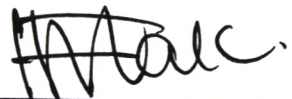

Principal Accounts Controller
Name: **Francis M. Makumi**
ICPAK Member Number: **6338**

SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	542,263,732	48,658,597	590,922,328	246,998,224	343,924,104	42%
Transfers from Other Government Entities	8,901,401,537	1,356,168,561	10,257,570,098	7,268,691,783	2,988,878,315	71%
Proceeds from Sale of Assets	435,435,500	992,713,222	1,428,148,722	731,802,784	696,345,938	51%
TOTAL RECEIPTS	9,879,100,769	2,397,540,380	12,276,641,148	8,247,492,790	4,029,148,358	67%
PAYMENTS						
Compensation of Employees	158,418,000	51,936,965	210,354,965	185,543,136	24,811,829	88%
Use of goods and services	4,231,310,700	4,862,265,321	9,093,576,021	5,607,749,094	3,485,826,927	62%
Subsidies	432,000,000	(69,430,800)	362,569,200	264,034,891	98,534,309	73%
Transfers to Other Government Units	446,727,537	179,395,692	626,123,228	379,532,768	246,590,460	61%
Other grants and transfers	71,000,000	(16,494,849)	54,505,151	53,961,474	543,677	99%
Acquisition of Assets	1,348,693,764	580,818,820	1,929,512,583	1,001,464,146	928,048,437	52%
TOTAL PAYMENTS	6,688,150,000	5,588,491,148	12,276,641,148	7,492,285,509	4,784,355,639	61%
Surplus/Deficit	3,190,950,769	(3,190,950,769)	-	755,207,281	(755,207,281)	

The entity financial statements were approved on 7/10/ 2018 and signed by:


Principal Secretary
Name:


Principal Accounts Controller
Name: **Francis M. Makumi**
ICPAK Member Number: 6338

IX. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 20xx Kshs	Adjustments Kshs	Final Budget 2018 Kshs	Actual on comparable basis Date, 2018 Kshs	Budget utilization difference Kshs
0107000000 - General Administration Planning and Support Services			4,961,000,827.00	4,681,138,854.80	279,861,972.20
0107010000 - Agricultural Policy, Legal and Regulatory Frameworks			4,902,351,327.00	4,622,835,299.50	279,516,027.50
0107020000 - Agricultural Planning and Financial Management			58,649,500.00	58,303,555.30	345,944.70
0108000000 - Crop Development and Management			22,704,435,490.00	18,237,354,774.05	4,467,080,715.95
0108010000 - Land and Crops Development			2,900,416,558.00	928,653,322.00	1,971,763,236.00
0108020000 - Food Security Initiatives			18,895,271,656.00	16,526,585,523.70	2,368,686,132.30
0108030000 - Quality Assurance and Monitoring of Outreach Services			908,747,276.00	782,115,928.35	126,631,347.65
0108040000 - Agricultural Research			0	0	0
0109000000 - Agribusiness and Information Management			655,603,171.00	470,269,679.70	185,333,491.30
0109010000 - Agribusiness and Market Development			613,694,050.00	433,023,714.80	180,670,335.20
0109020000 - Agricultural Information Management			41,909,121.00	37,245,964.90	4,663,156.10
0110000000 - Irrigation and Drainage Infrastructure			0	0	0
0110010000 - Promotion of Irrigation and Drainage Development and Management			0	0	0
0112000000 - Livestock Resources Management and Development			0	0	0
0112010000 - Livestock Policy Development and capacity building Programme			0	0	0
TOTAL	0	0	28,321,039,488.00	23,388,763,308.55	4,932,276,179.45

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury)

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

Reports and Financial Statements

For the year ended June 30, 2018

X. 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 International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

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:

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

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

SIGNIFICANT ACCOUNTING POLICIES

- **Transfers from the Exchequer**

Transfers from the exchequer are 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.

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2018, 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 payments 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.

- **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are 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 are paid for.

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

Reports and Financial Statements
For the year ended June 30, 2018

SIGNIFICANT ACCOUNTING POLICIES

- **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 consolidation. This summary is disclosed as an annexure to the financial statements.

5. 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 payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. 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.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2018, this amounted to Kshs169,836,024 compared to Kshs293,910,820 in prior period as indicated on note 14.

Reports and Financial Statements

For the year ended June 30, 2018

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. 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.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2017 for the period 1st July 2017 to 30th June 2018 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
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**Reports and Financial Statements
For the year ended June 30, 2018**

SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 20XX.

14. Errors

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

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

XI. NOTES TO THE FINANCIAL STATEMENTS

1 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

	Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2017-2018 Kshs	2016-2017 Kshs
	Grants Received from Bilateral Donors (Foreign Governments)					
	JICA-PEGRESS	-		-	-	18,210,394
	JICA-SHEP PLUS	-		-	45,175,304	59,162,204
	Grants Received from Multilateral Donors (International Organisations)					
	ADB-DRLSP	-		-	-	52,500,000
	EU-SRP	-		-	77,548,274	91,858,175
	IFAD-KCEP				124,274,646	256,039,259
					-	
	TOTAL				246,998,224	477,770,032

2 EXCHEQUER RELEASES

Description	2017-2018 Kshs	2016-2017 Kshs
Total Exchequer Releases for quarter 1	1,976,875,706	1,451,760,000
Total Exchequer Releases for quarter 2	6,516,425,910	4,405,188,781
Total Exchequer Releases for quarter 3	10,460,967,067	5,664,504,212
Total Exchequer Releases for quarter 4	3,773,674,491	8,901,502,977
Total	22,727,943,174	20,422,955,970

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 PROCEEDS FROM FOREIGN BORROWINGS

	2017-20 18	2016-20 17
	Kshs	Kshs
Foreign Borrowing – Draw-downs Through Exchequer	0	0
Foreign Borrowing - Direct Payments	731,802,784	438,943,134
Foreign Currency and Foreign Deposits		
Total	731,802,784	438,943,134

4 PROCEEDS FROM SALE OF ASSETS

	2017-20 18	2016-20 17
	Kshs	Kshs
Receipts from the Sale Plant Machinery and Equipment		1,553,000
	1,560,080	
Receipts from the Sale of Inventories, Stocks and Commodities		3,176,258
Total	1,560,080	4,729,258

5 COMPENSATION OF EMPLOYEES

	2017-20 18	2016-20 17
	Kshs	Kshs
Basic salaries of permanent employees	527,108,037	470,082,020
Basic wages of temporary employees	159,527,956	15,174,603
Personal allowances paid as part of salary	396,625,820	314,328,752
Personal allowances paid as reimbursements	1,850,000	
Personal allowances provided in kind		
Pension and other social security contributions		
Employer Contributions Compulsory national social security schemes		
Employer Contributions Compulsory national health insurance schemes	1,250,375	
Total	1,086,362,188	799,585,375

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 USE OF GOODS AND SERVICES

	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	31,639,769	25,982,796
Communication, supplies and services	37,651,917	14,612,506
Domestic travel and subsistence	462,403,081	186,132,196
Foreign travel and subsistence	77,183,582	8,666,910
Printing, advertising and information supplies & services	36,203,937	9,260,002
Rentals of produced assets	31,953,470	18,494,914
Training expenses	253,687,338	150,566,710
Hospitality supplies and services	146,463,822	164,355,784
Insurance costs	117,852,419	81,262,472
Specialized materials and services	119,740,943	188,768,012
Office and general supplies and services	25,464,633	6,496,827
Fuel Oil and Lubricants	13,555,593	9,452,690
Other operating expenses	4,883,928,284	4,998,996,937
Routine maintenance – vehicles and other transport equipment	16,451,002	7,752,548
Routine maintenance – other assets	4,303,839	9,715,561
Exchange Rate Losses		
Total	6,258,483,629	5,880,516,864

**MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE**

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 SUBSIDIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Subsidies to Private Enterprises	264,034,891	
TOTAL	264,034,891	

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2017-2018	2016-2017
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)	4,602,787,627	8,141,801,465
2630100:		
Headquarters Administrative Services	1,100,000,000	
Pesticide Control Products Board (PCPB)	127,800,000	
Kenya Plant Health Inspectorate Services (KEPHIS)	271,632,824	
Bukura Agricultural College	92,000,000	
Biosafety Authority	108,600,000	
Agriculture	2,497,500,955	
Agricultural Development Co-operation	20,000,000	
2630200:		
Sugar Reforms Support Programme	77,548,274	
Drought Resilience and Sustainable Livelihood Programme	312,050	
Development of Mau Buffer Tea Zone	25,000,000	
Pyrethrum Industry Recovery	25,000,000	
Food Security and Crop Diversification Project	175,000,000	
Construction of HQs and Satellite Campuses for KSA	55,000,000	
Construction of Educational Complex for Bukura Agricultural College	13,750,000	
Small Scale Irrigation and Value Addition Project	- 4,483,585	
Improvement of Market Infrastructure in Western Kenya	3,656,029	
Construction of Residue Laboratory and PCPB	8,750,000	
2640400:		
Headquarters Administrative Services	5,950,440	
TOTAL	4,603,016,987	8,141,801,465

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT
FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 OTHER GRANTS AND TRANSFERS

Explanation	2017-20 18	2016-20 17
	Kshs	Kshs
Membership dues and subscriptions to international organizations	40,000,000	102,712,684
Scholarships and other educational benefits	10,553,535	9,815,152
Emergency relief and refugee assistance	0	-
Grants to small businesses, cooperatives, and self employed	55,961,474	52,593,467
Grants to foreign government	0	
Relief to the disabled, the sick, unemployed	0	
Total	106,515,009	165,121,303

10 SOCIAL SECURITY BENEFITS

Explanation	2017-20 18	2016-20 17
	Kshs	Kshs
Government pension and retirement benefits	13,186,358	5,039,110
Social security benefits in cash and in kind		
Employer Social Benefits in cash and in kind		
Social Benefits to the aged(above 70 years)		
Total	13,186,358	5,039,110

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 ACQUISITION OF ASSETS

Non Financial Assets	2017-20 18	2016-20 17
	Kshs	Kshs
Purchase of Buildings		
Construction of Buildings	-	26,772,227
Refurbishment of Buildings	74,642,761	-
Construction of Roads	0	-
Construction and Civil Works	312,920,670	41,324,961
Overhaul and Refurbishment of Construction and Civil Works	0	-
Purchase of Vehicles and Other Transport Equipment	0	21,040,383
Overhaul of Vehicles and Other Transport Equipment	2,671,177	2,574,723
Purchase of Furniture and Institutional Equipment	0	336,305
Purchase of Office Furniture and General Equipment	772,528	848,150
Purchase of Specialized Plant, Equipment and Machinery	10,214,737	
Rehabilitation and Renovation of Plant, Machinery and Equip	4,814	30,039,988
Purchase of Certified Seeds, Breeding Stock and Live Animals	190,074,682	101,600
Research, Studies, Project Preparation, Design & Supervision	146,051,979	472,996,742
Rehabilitation of Civil Works	278,786,348	57,340,302
Acquisition of Strategic Stocks and commodities	9,994,000,000	5,067,826,579
Acquisition of Land	-	-
Acquisition of Intangible Assets		
Sub-total	11,010,139,696	5,878,925,563
Financial Assets		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
Foreign financial Institutions operating Abroad		
Other Foreign Enterprises		
Foreign Payables - From Previous Years		
Sub-total		
Total	11,010,139,696	5,878,925,563

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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, Development, deposit etc	Exc rate (if in foreign currency)	2017-2018 Kshs	2016-2017 Kshs
Central Bank of Kenya, A/C No. 1000210087, KShs	47,851	Recurrent	1	47,851	1,367,729
Central Bank of Kenya, A/C No. 1000209933, KShs	113,953	Development	1	113,953	220,204,497
Central Bank of Kenya, A/C No. 1000212608, KShs	88,077,485 ¹	Deposit	1	188,077,485	293,910,820
Central Bank of Kenya, A/C No. 1000327685, KShs (KCSAP)				24,035,595	
Central Bank of Kenya, A/C No. 1000351497, KShs (NARIGP)				74,217,947	
Kenya Commercial Bank, A/C No. 1136778322, Kshs (ASDSP I - GOK)				46,849	
Kenya Commercial Bank, A/C No. 1136778708, Kshs (ASDSP I - DONOR)				386,569	
Kenya Commercial Bank, A/C No. 1229967206, Kshs (ASDSP II - GOK)				51,465	
Kenya Commercial Bank, A/C No. 1229965076 Kshs (ASDSP II- DONOR)				37,894,799	
Equity Bank, A/C No. 1510263657085 Kshs (KCEP-NAIROBI) CRAL				205,301,068	
Co-operative Bank, A/C No. 01141587171901 Kshs (KCEP-NAIROBI) ASAP				9,709,849	
Co-operative Bank, A/C No. 011411587177900 Kshs (KCEP-NAIROBI) E.U GRANT				235,692,009	
Equity Bank, A/C No. 1510264926255 Kshs (KCEP-WESTERN)				4,781,492	

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Equity Bank, A/C No. 1510263657085 Kshs (KCEP-EASTERN)GRANT				5,257,280	
Equity Bank, A/C No. 1510263657085 Kshs (KCEP-EASTERN)CRAL				6,177,709	
Co-operative Bank, A/C No. 01141587177902 Kshs (KCEP-COAST)				7,000,737	
Total				798,792,657	515,483,046

12B: CASH IN HAND

	2017-20 18	2016-20 17
	Kshs	Kshs
Cash in Hand – Held in domestic currency	1,715	2,175
Cash in Hand – Held in foreign currency		
Total	1,715	2,175

	2017-20 18	2016-20 17
	Kshs	Kshs
Headquarters, State Department of Agriculture, Cash office	1,715	2,175
Location 1		
Total	1,715	2,175

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Cash in hand should also be analysed as follows:

13. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	<i>2017-2018</i>	<i>2016-2017</i>
	<i>Kshs</i>	<i>Kshs</i>
Government Imprests	1,752,677	24,329,660
Salary advances		
District suspense		
Clearance accounts		-
Total	1,752,677	24,329,660

14. ACCOUNTS PAYABLE

<i>Description</i>	<i>2017-2018</i>	<i>2016-2017</i>
	<i>Kshs</i>	<i>Kshs</i>
Deposits	188,077,485	293,910,820
Total	188,077,485	293,910,820

15. FUND BALANCE BROUGHT FORWARD

<i>Description</i>	<i>2017-2018</i>	<i>2016-2017</i>
	<i>Kshs</i>	<i>Kshs</i>
Bank accounts	515,483,046	450,641,073
Cash in hand	2,175	3,175
Accounts Receivables	24,329,660	1,425,750
Accounts Payables	(293,910,820)	(450,641,073)
Total	245,904,061	1,428,925

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the *State Department for Agriculture*

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2017-2018	2016-2017
	Kshs	Kshs
Key Management Compensation	xxx	xxx
<u>Transfers to related parties</u>		
Transfers to other MDAs	0	0
<u>Transfers to SCs and SAGAs</u>		
Pesticide Control Products Board (PCPB)	127,800,000	
Kenya Plant Health Inspectorate Services (KEPHIS)	271,632,824	
Bukura Agricultural College	92,000,000	
Biosafety Authority	108,600,000	
Agriculture	2,497,500,955	
Agricultural Development Co-operation	20,000,000	
<u>Transfers to Development Project</u>		
Sugar Reforms Support Programme	77,548,274	
Drought Resilience and Sustainable Livelihood Programme	312,050	
Development of Mau Buffer Tea Zone	25,000,000	
Pyrethrum Industry Recovery	25,000,000	
Food Security and Crop Diversification Project	175,000,000	
Construction of HQs and Satellite Campuses for KSA	55,000,000	
Construction of Educational Complex for Bukura Agricultural College	13,750,000	

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Small Scale Irrigation and Value Addition Project	- 4,483,585		
Improvement of Market Infrastructure in Western Kenya	3,656,029		
Construction of Residue Laboratory and PCPB	8,750,000		
Transfers to non reporting secondary and primary Schools	0		xxx
Total Transfers to related parties	xxx		xxx
<u>Transfers from related parties</u>			
Transfers from the Exchequer	22,727,943,174		xxx
Transfers from other MDAsc	0		xxx
Total Transfers from related parties			
<u>Other Disclosures:</u>			
Fertilizer proceeds-Central Bank A/C No. 1000217162	456,662,652		xxx
Revenue from Sale of Fertilizer - NCPB	1,400,000,000		
Stocks of Fertilizer held at NCPB	531,955,120		
Letters of Credit – Co-operative Bank	40,842,965		
Total Other Disclosures	0		xxx

29. 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.

Refere nce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timefr ame:
431	ACCURACY OF THE FINANCIAL STATEMENTS (I) Cash And Bank Balances The statement of assets and as disclosed in Note 22A to the financial statements reflects bank balances amounting to Kshs.450,641,073. However, these balances have not been supported with board of survey reports, bank statements and bank confirmation certificates. Review of the cash books and bank reconciliation statements revealed that the bank balance of Kshs.450,641,073 differs from the balamnce of Ksh.452,725,473 reflected in the cash books and bank reconciliation statements as follows:	(i) It is true tht the Statement of Asset disclosed in Note 22A a bank balance of Kshs.450,641.073 while the board of survey reports and bank statements and bank confirmation revealed a bank balance of Ksh452,725,473.00. I wish to state that the bank balances under recurrent and Development vote were recovered by the Naional Treasury as unspent balance for the financial year ending which we excluded in the financial statements since unspent balance had been recovered fully.	HAU	Resolved	
	Account variance boks& ban reconciliation Statements (Kshs)	(ii) (a) The balance reflected under receipts and payments and supporting documents have been reconciled to Kshs.11,146,799,165. Attached is the evidence. (b) It is true the supporting schedule for transfers to other government units totalling Kshs.11,570,631,519 includes an amount of Kshs.5,580,959,301 transfered to 23 institutions. The evidence and analysis has been availed for the amounts disbursed to be confirmed			
	Amount in cash Financial Statements (Kshs)				
	Amount in Financial Statements (Kshs)				
	Recurrent A/C Nil				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	765,517 Development A/C Nil 1,318,883 1,318,884 Deposit A/C <u>450,641,073</u> Nil Total <u>452,725,473</u> <u>2,084,400</u> Transfers to other Government Units (a) The Statement of receipts and payments reflects a balance of Kshs.11,146,799,165 under transfers to other Government units which, however, differs by Kshs.423,832,354 from the balance of Kshs.11,570,631,519 shown in supporting documents. The resulting difference of Kshs.423,832,354 has not been reconciled. (b) the supporting schedule for transfers to other government units totalling Kshs.11,570,631,519 includes an amount of Kshs.5,580,959,300 indicated to have been transferred to twenty three (23) institutions and departments. However, no evidence has been provided to confirm whether the amounts were received by the respective institutions or departments. (c) Further the supporting schedules for the	(c) It is true that there were differences between the Ministry's supporting schedule and Project/agency Financial statement. The financial statements for the project/agency were revised and subsequently the financial statements for the department of agriculture resolving the variances. (d) It is true that there was a difference between the figure for the amount transferred to Strategic Grain Reserve Fund on acquisition of assets as reflected in the statement of receipts and payments and the figure reflected as government grants in the Strategic Grain Reserve Fund Financial statement. The financial statements for the period were revised resolving the variances. (iii) It is true the statement of assets reflects a balance of Kshs.450,644,248 under accounts payable (deposits and retentions) which has been fully supported (iv) It is true that the statement of receipts and payments reflects an amount of Kshs. 38,728,408 included under grants and transfers as disbursements to youth and			

Reports and Financial Statements
For the year ended June 30, 2018

Refere nce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timef ame:																										
	transfers to Government units of Kshs.11,570,631,519 reflect balances that differ with the amounts reflected in the audited financial statements of five projects and an agency's as shown below: <table><thead><tr><th>Name of Institution</th><th>Project/Agency Supporting</th></tr></thead><tbody><tr><td>Financial</td><td>Ministry's</td></tr><tr><td>Schedule Variance</td><td>Statements</td></tr><tr><td></td><td>(Kshs.)</td></tr><tr><td></td><td>(Kshs.)</td></tr><tr><td>Kenya Cereal Enhancement Programme</td><td>70,000,000</td></tr><tr><td>35,000,000</td><td></td></tr><tr><td>Standards and Market Access Programme</td><td>26,516,409</td></tr><tr><td>46,705,105</td><td></td></tr><tr><td>20,186,696</td><td></td></tr><tr><td>Kenya Adaptation to Climate Change</td><td>76,433,663</td></tr><tr><td>162,015,854</td><td></td></tr><tr><td>(85,582,191)</td><td></td></tr></tbody></table>	Name of Institution	Project/Agency Supporting	Financial	Ministry's	Schedule Variance	Statements		(Kshs.)		(Kshs.)	Kenya Cereal Enhancement Programme	70,000,000	35,000,000		Standards and Market Access Programme	26,516,409	46,705,105		20,186,696		Kenya Adaptation to Climate Change	76,433,663	162,015,854		(85,582,191)		women groups under Empowerment in Modern Agriculture programme. (v) It is true that the summary statement of provisioning reflect a balance of Kshs.8,519,249,613 used both General Account Vote provisioning account and exchequer provisioning balance which has now been supported by the list of all exchequer issued to the Ministry of the financial year 2015/2016			
Name of Institution	Project/Agency Supporting																														
Financial	Ministry's																														
Schedule Variance	Statements																														
	(Kshs.)																														
	(Kshs.)																														
Kenya Cereal Enhancement Programme	70,000,000																														
35,000,000																															
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20,186,696																															
Kenya Adaptation to Climate Change	76,433,663																														
162,015,854																															
(85,582,191)																															
	<table><tbody><tr><td>East Arican Agricultural</td><td>162,015,854</td></tr><tr><td>111,482,360</td><td></td></tr></tbody></table>	East Arican Agricultural	162,015,854	111,482,360																											
East Arican Agricultural	162,015,854																														
111,482,360																															

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	(50,596,8668) Productivity Project Kenya Agricultural 277,268,083 300,393,000 (23,124,917) Productivity and Sustainable Land Management Project Kenya Agricultural and 2,267,456,000 2,267,480,000 (24,000) Livestock research Organization Total 2,849,345,211 2,953,484,491 (104,139,280) (d) In addition the statement of receipts and payments reflects and expenditure of Kshs.1,886,142,573 under acquisition of assets, which includes as shown under Note 18, an amount of Kshs.1,122,480,692 transferred to Strategic Grain Reserve Fund. However, the amount of Kshs.1,122,480,692 differs by Kshs.63,677,945 from the balance of kshs.1,186,158,637 shown in the financial statements of Strategic Grain Reserve Fund as Government Grants. No reconciliation or explanation has been provided for the variance. (iii) Unsupported Accounts Payable				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	The Statement of assets reflects a balance of Kshs.450,644,248 under accounts payables deposits and references which has, however, not been supported with a schedule analysis or any other documentation under the circumstances. The accuracy of the financial statements cannot be confirmed. (iv) Other Grants and Transfers The statement of receipts and payments reflects an amount of Kshs.123,005,127 under other grants and transfers which includes, as shown under Note 16 to the financial statements an amount of Kshs.38,728,408 being disbursements to youth and women groups under Empowerment in Modern Agriculture Programme. However, no documentary evidence has been provided to support the amount. (v) Summary Statement Of Provisioning The summary statement of provisioning reflects a balance of Kshs.8,519,249,613 under both General Account Vote (GAV) provisioning account and exchequer provisioning balance which has, however, not been supported with documentary evidence.				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
432	FINANCIAL MANAGEMENT AND BUDGETARY CONTROL. Section VII of the financial statements – summary statement of appropriation: recurrent and development combined indicates that in 2015/2016, the State Department had a final approved budget of Kshs.27,887,546,103, out of which, Kshs. 19,798,153,526 (about 71%) was absorbed. No explanation has been provided for failure to absorb the remaining 29% of the approved budget, which occurred mainly under transfers to other government units (Kshs.7,421,399,732) acquisition of assets (Ksh.756,969,846) and use of goods and services (Kshs.534,604,822). Further, development projects and services that were earmarked to be implemented or provided to citizens appear not to have been implemented or provided as a result of failure to utilize 29% of the approved budget.	It is true that out of the final approved budget of Ksh.27,887,546,103 about 71% was absorbed, this was due to delay in the receipt of exchequer which was occasioned by the transfer of allocation for irrigation directorate and the National Irrigation Board to a newly created State Department for Irrigation in Supplementary I budget for the FY 2015/16. The State Department for Agriculture had already disbursed exchequer in the first half to the National Irrigation Board and the directorate of irrigation thus could not receive exchequer as it had exceeded its budgetary allocation. The first half allocation exchequer disbursement to the State Department for Irrigation was reinstated in State Department for Agriculture budget in Supplementary II FY 2015/16 which was approved at the end of the year leaving no time for the state department to receive exchequer requested hence under absorption of 29% of the approved budget.	HAU	Resolved	
433	PENDING BILLS	It is true that the State Department indicated pending bills totalling to Kshs.489,237,516. the bills were carried forward to	HAU	Resolved	

Reports and Financial Statements
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	Records maintained by the State Department indicate that the Department had pending bills totaling Kshs.489,237,516 as at 30th June 2016, which were carried forward to 2016/2017. Had the bills been paid and the expenditure charged to the accounts for 2015/2016, the statement of receipts and payments for the year ended 30th June 2016 would have reflected a higher deficit of Kshs.491,170,325 instead of the deficit of Kshs.1,932,809 now shown. Failure to settle bills during the year to which they relate distorts the financial statements for the year and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.	2016/2017 financial year. I wish to State that the bills were not paid due to insufficient funds in relevant charge accounts and failure by IFMIS to generate purchase orders. The pending bills were however cleared in subsequent financial year.			
434	AVOIDABLE EXPENDITURE – PROCURMENT OF SUBSIDIZED FERTILIZER The Statement of receipts and payments for the year ended 30th June 2016 reflects and expenditure of Kshs.5,692,471,230 under use of goods and services which as shown under Note 13 includes expenditure of Kshs.5,383,258,816 relating to other operating expenses. The other operating expenses balances	It is true that the Ministry is paying interest on post import facility. I wish to state that in order to procure enough fertilizers for farmers under provided budget of 2013/14, the Ministry assigned the contract with M/S Holbud Limited to national Cereals and Produce Board (NCPB). Under this arrangement, NCPB was to approach Kenya Commercial bank to raise 180 days letters of	Head-Procurement	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	further includes payments totalling Kshs.4,189,820,270 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 sum of Kshs.4,189,820,270 paid to National Produce and Cereals Board (NCPB) is an amount of Kshs.147,574,229 made on account of interest on post import facility that arose from a 2013/2014 contractual obligation that the State Department of Agriculture failed to honour. In 2013/2014 the State Department 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 explanation has been provided on why the Department paid	Credit for the fertilizers, buy the fertilizers and sell to farmers at subsidized prices and the Ministry was to refund the difference between the buying price and subsidized price (subsidy) the following financial year to enable NCPB clear the letters of credit. The letters of credit were payable after six months. Due to delays in disbursement of funds from the National Treasury, the subsidy was not paid on time and thus the letters of credit were converted to commercial loans attracting interest.			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	interest on a loan arising from a contract that it had assigned fully to NCPB.				
435	UNRESOLVED PRIOR YEAR MATTERS 435.1 Procurement of Seed Potato As reported in 2014/2015, the State Department paid an amount Kshs.25,000,000 to a firm to import seed potato from Netherlands. 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 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. Review of the position during the audit of 2015/2016 revealed that the expenditure still remains unsupported. 435.2: Procurement of certified seeds, Breeding Stocks and Live Animals It was also reported in 2014/2015 that the expenditure of kshs.700,718,840 for purchase of certified seeds breeding stock and live animals incurred during that year included and amount of Kshs.300,000,000 that was not supported with payment vouchers and related documents. Review of the position in 2015/2016 revealed that the expenditure has not	435.1 It is true that the The Ministry was concerned with the low level of availability of certified potato seed and in a meeting convened for the major seed potato stakeholders in July 2014, it was noted that the bottlenecks are at the production and availability of basic seed potato from KALRO and certified seed potato from ADC who depend on KALRO to provide the basic seed which is multiplied to certified seed for sale to farmers. The Ministry hence resolved to support the two National Institutions to increase seed potato production to 10 % of the requirement in 3 years. Other Private and Development Partners were also to be roped in to have a further increase of certified seed potato availability to 30% in the same period (3 years). The government of Netherlands had already entered into an MOU with The Kenya Plant Health Inspectorate Service (KEPHIS) in 2012 to introduce new potato varieties in Kenya especially the processing type which were lacking in the country leading to potato processors importing potatoes from other countries like Egypt for crisps processing. The Dutch government therefore brought in about 7 Dutch companies dealing with seed potatoes to introduce new varieties after undergoing the mandatory National Performance Trials (NPTs) by KEPHIS. By early 2015, about 21 new Dutch varieties had been released in Kenya with Agrico E. A. Seed Company being the main company releasing about half of the potato varieties (over 10). However, local farmers were not getting these varieties as no significant multiplication was taking place in Kenya. The Ministry therefore intervened by asking ADC to import some of the Dutch varieties and multiply them locally to further increase the availability of			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	been supported yet. 435.3 Purchase and Transportation of Subsidized Fertilizer As was reported also in 2014/2015, the State Department disbursed an amount of Kshs.2,129,128,557.70 paid to National Cereals and Produce Board (NCPB) as subsidy for purchase of fertilizer to be sold to farmers. However, apart from an invoice and a schedule raised by NCPB, no verifiable documents have been produced to confirm the actual quantity of fertilizer bought and receipted by NCPB, the quantity sold to farmers and the purchase and selling prices. Consequently, the propriety of the Kshs.2,129,128,557.70 on subsidized fertilizer could not be ascertained. Review of the position during the 2015/2016 revealed that the expenditure still remains unsupported. 435.4 Bulking of Traditional High Value (Orphaned) Crops In 2014/2015 it was reported that also the State Department entered into a Kshs.30,095,000.00 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,	certified seed potato to farmers with multiplication of more varieties. The Kenya-Netherlands Seed potato programme in conjunction with the Agricultural attaché at the Dutch Embassy was asked to consult the 7 Dutch Companies on the possible supply of 2000 MT of seed potato. However, most companies indicated that they had already sold their seed and some had very little remaining and only of one variety. The Company that was able to supply some reasonable amount of seed potato was Agrico E. A. Seed Company but also only 250 MT. 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. I wish to state that we have hereby attached the invoice, delivery note and Letters of Credit documents to support the payment of Kshs. 25,000,000.00 and to confirm that the seed potato were indeed received. 435.2 It is true that in 2014-2015 we had a total expenditure of Kshs 700,718,840.00 for purchase of certified seeds which included an amount of Kshs. 300,000,000.00 was a payment to Kenya Seeds Company which the government had committed to the Company to sell seeds to farmers at subsidised price.			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	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, TharakaNithi, Kirinyaga, Kisumu, Homa Bay, BusiaKwale and TaitaTaveta Counties. Although the amount of Kshs.30,095,000.00 was released to KALRO to undertake the project, no evidence has been adduced to confirm that the project was carried out, completed and crops distributed to the intended areas. Review of the matter in 2015/2016 revealed that the position still remains as reported. 435.5 Purchase of Tecno S9 Tablets Gadgets It was reported that also in 2014/2015 that the State Department incurred an expenditure of Kshs.5,584,025.00 in purchasing 413 tablet gadgets. However, no evidence was similarly produced to confirm that there was a requisition for the tablets; whether the gadgets were delivered, received and taken on charge in the stores and issued to specific officers. No evidence was provided in 2015/2016 on the matter. 435.6 Procurement of Fertilizer (i) It was reported also in 2014/2015 that the State Department incurred advertised, under Tender	435.3 It is true that in we had a total expenditure of Kshs 2,129,128,557.70 was paid to National Cereals and Produce Board. NCPB sells subsidized fertilizers to vetted and registered farmers. The farmers fill a special green form in order to access the fertilizers and this green forms are used to claim subsidy from the Ministry. These forms are bulk and are kept at the NCPB headquarters for inspection before subsidy is paid. These forms are available at NCPB offices for inspection and scrutiny. 435.4 I wish to state that; The funds were used to bulk, procure and distribute 197.3mt worth kshs.30,095,000assorted THVC seed, summary below. The seeds and planting materials were distributed to the said counties for food and nutrition security. The seed was flagged off by the Principal Secretary Mr.Segor in TharakaNithi County on the 16th October, 2014 for distribution to targeted counties. Analysis as follows: Appendix 8 - Evidence No. 1 – seed distribution summary by Seed type, variety, price and quantities in page 2 - Evidence No. 2 – Seed delivery notes summary by KALRO to counties indicate indicating; Vehicle Reg. No, seed types, Recipient of seed at County, Date seed delivered to County and who issued the seed at KALRO etc pages 3,4 and 5 - Evidence No. 3- Sample evidence in photos on world food day venue where flagging off of the short rains 2014/2015 took place on 16/10/2014 in TharakaNithi County. See pages 5, 6 for the PS's			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	No. MOALF/SCMD/AGRIB/12/2014-2015, for supply and delivery of 54,950 metric tons of 8 lots - equivalent to 1,099,000 (50kg) bags of fertilizer. Out of the 21 firms which responded, 7 were found to be responsive and were awarded contracts to supply fertilizer at different prices per 50 Kg bag, depending on the region or point of delivery. Lot 1 was won by bidder No. 4 (M/s Global Link East Africa Ltd) to supply at a price of Kshs.2,655.00 per 50 Kg being the lowest evaluated bidder at a total cost of Kshs.265,500,000. Lot 2 was also won by bidder No. 4 at a price of Kshs.2,430.00 per 50 Kg bag with a total price of Kshs.364,500,000.00. Information available indicates that bidder No.4 declined to sign the contract agreement even after delivering their acceptance letter. Consequently, the Ministerial Tender Committee made a decision to disqualify the bidder and award the tender to the second lowest evaluated bidder who was bidder No. 6 (M/s Performance Parts Ltd) at total prices of Kshs.320,000,000.00 and Kshs.436,850,000.00 for lots 1 and 2 respectively. , Further despite our request for management to produce tender documents and correspondences relating to the disqualified	flagging and Baringo County flagging off their seed on pages 6 and 7. This was followed by seed distribution to farmers in all benefitting counties. 4. Evidence No. 4 Sample County reports on production and capacity building on good agricultural practices and utilization e.gBaringo THVC recepies. 5. Evidence No. 5 Sample county reports on seed distribution, capacity building and utilization of THVCs. Support and evidence for value for money as farmers are able to feed themselves on nutritious, early maturing, low inputs requiring crops in Arid and semi Arid areas of the country. 6. Evidence No. 6 Sample Standard Farmer Seed Distribution List short rains 2014/2015. Indicating the type, quantity of seed each beneficiary receives, beneficiaries phone no. 435.5 It is true that the Department purchased Tablet Gadgets from Safaricom and attached herewith please find 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 department. Also included herewith are the issue vouchers, receipt voucher to show that the items were received and issued to the Department. It is true that the items were procured and specifications were are hereby attached for your necessary action. 435.6 I wish to state that; The Ministry did not contravene procurement regulations by awarding the contract for supply and delivery of lot 1 and 2 to 2nd lowest evaluated bidder,			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	bidder, no documents and records have been provided to date for audit verification. (ii) In awarding the contract to the second lowest evaluated bidder without giving justifiable reasons, why the lowest evaluated bidder declined to sign the contract, the Department lost an amount of Kshs.126,850,000.00, being the difference between the amount paid to the second lowest evaluated bidder and the amount that would have been paid to the lowest evaluated bidder <i>435.7 Funds Disbursed to Establish Revolving Funds</i> (I) It was reported also in 2014/2015 that the Department entered into two separate Memoranda of Understanding (MOUs) with Kenya Agricultural and Livestock Research Organization (KALRO) and Agricultural Development Corporation (ADC) with the objective of disbursing amounts totalling Kshs.200,789,325.00.00 to the two organizations for carrying out Potato Seed Multiplication (Bulking). ADC received an amount of Kshs.117,500,000.00 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 for 34,000 invitro plantlets, 472,220 mini tubers, 12,400 (50 Kg) bags of basic seeds. The amounts were charged	M/S Performances Parts Ltd. 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 (from 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 22nd 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. 435.7 I wish to state that 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. 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 3rd season to fully achieve the targeted			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	under the item of transfers to other Government Units. The Department also also disbursed an additional Kshs.50,400,000.00 to ADC and Kshs.5,000,000.00 to KALRO for the same purpose but charged the expenditure under the item of specialized materials and services. (iii) The MOUs provided that once the seed bulking was completed, the seeds would be sold to farmers and the proceeds used to create two Revolving Funds to sustain a continued increased production of basic seeds and certified seed potato. However, despite the Department having disbursed the total amount of Kshs.200,789,325.00 and the seed bulking project completed, the two Revolving Funds have not been commissioned or established.	production agreed in the MoU. However only about a third of these funds (KShs. 4.7 million) were utilized in the 3rd season from September, 2015 short rains as KALRO Tigoni claimed that KALRO Hqs did not release all the funds as disbursed by the Ministry. 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 claim 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. 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 DG and his team from KALRO Tigoni to his office on 6th April, 2016 to explain on the non-achievement of the agreed deliverables despite the Ministry releasing all the funds agreed in the MoU. 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 ADC 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			

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
		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.			
436	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 20130. 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 its records, documents, books of account and financial statements to the Auditor General for audit as required by section 47 of public Audit Act, 2015. Although the ministry had indicated previously that financial	I wish to state that Agricultural Sector Coordination Unit(ASCU) was an inter-ministerial coordination secretariat that facilitated the implementation of the agricultural sector strategies in Kenya. ASCU was established in 2005 in order to address the fragmentation of responsibilities between the several agriculture and rural developments-related ministries, development partners and non-state actors that were tasked with implementing the sector strategy. Additionally, it acted as a think tank in the paradigm shift towards an innovative, commercially-oriented and modern agricultural sector. ASCU's mandate was to facilitate and add value to the reform process and coordinate the sector ministries' and othestakeholders' efforts towards the implementation of the sector's vision. ASCU did not therefore implement activities on behalf of the sector ministries. At the time ASCU was established, only a few sector ministries were on board. These included, the then Ministry of Agriculture, the then Ministry Cooperative Development and Marketing and the then Ministry of livestock Development and Fisheries. Later on, in 2008 after the launch of vision 2030 the sector came up with the Agricultural Sector Development Strategy (ASDS 2010-20) was signed by ten sector ministers. The then ten ministries who were signatories of the ASDS included; Ministry	HAU	Resolved	

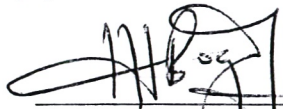
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	statements were prepared for the year ended 30 June 2013, the statements were not submitted to the Auditor General for audit. (ii) As reported in 2014/2015, the unit appointed M/s Deloitte and Touche as its auditor in the previous years. However, no explanation has been provided for the appointment of the private auditors without the knowledge consent and approval of the Auditor General as required under section 23 of the Public Act 2015. the audit fee of Kshs.3,131,420 (Ksh.1,610,892 for 2012/2013 and Kshs.1,520,528 for 2011/2012) paid to the auditors was therefore an irregular charge on public funds. (iii) The management of the Secretariat has already been summoned and appeared before the Public Accounts Committee of the National Assembly over this matter. The committee in consequence directed the management to comply with the law and submit to the Auditor General all records, documents and information together with financial statements for all the years since	of Agriculture, Ministry of Livestock Development, Ministry of Fisheries Development, Ministry of Cooperative Development and Marketing, Ministry of Water and Irrigation, Ministry of Lands, Ministry of Regional Development Authorities, Ministry of Environment and Mineral Resources, Ministry of forestry and Wildlife, and the Ministry of State for Development of Northern Kenya and other Arid Lads. ASCUs mandate was therefore expanded to include facilitation of coordination for the activities of the 10 sector ministries, development partners, private sector and key stakeholders, to achieve the vision of the agricultural sector. Key Notes/Responses 1. Agricultural Sector Coordination Unit (ASCU) was not a unit in the ministry of Agriculture, Livestock and Fisheries. It was an inter ministerial secretariat as depicted in the attached Mou and Agricultural Sector Development Strategy (see pages ix, x, xi, 84 and 85). In the year 2013 ASCU was given mandate under the AFFA Act No. 13 of 2013 as per first para 9 which did not materialized and ASCU was disbanded and removed from the ACT as per the statute law (Miscellaneous Amendments) Act No.7 of 2016. Hence, Unit ceased to exist. 2. ASCU was audited by external auditors as per MOU, finance Agreements and Programme documents between Government and Development partners. 3. ASCU has never received voted funds directly or any other from the National Treasury. Sector ministries and other			

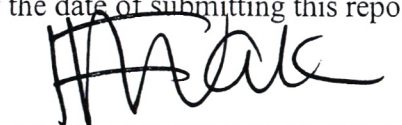
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	inception. The management has however, not heeded the directive, and therefore the matter remains unresolved.	stakeholders contributed funding to Basket fund in line with the attached MoU and for specific activities, which were accounted for. The funds from ministries were for specific activities and the same was accounted and audited through respective ministries. 4. Appointment of Independent Auditor As per MoU between Governments of Denmark, Sweden, German Technical cooperation and the Government of Kenya on support to ASCU. Article 8.3 states "The development partners reserve the right to appoint an independent external auditor to undertake a rolling audit and audit the final accounts" 5. NB: ASCU has been audited since inception by international audit firms namely; Deloitte and Touche, KPMG, Pricewaterhouse Coopers and Ernst and Young as per the MoU and all stakeholders have never raised any issues with the audited reports. The same reports are hereby attached. 6. ASCU offices were closed down in 2014 and the unit disbanded in line with statute law (Miscellaneous amendments) act No.7 of 2016. Enclosures ASDS document, MoU, code of conduct, ASCU audited reports(2008-			

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status	Timeframe
		2013), AFFA, ACT 2013 and the Statute law (miscellaneous amendments) Act No. 7 of 2016 Conclusion Auditor General Should remove ASCU queries from the Ministry of Agriculture books of accounts since the ASCU funds were from various sector ministries and were accounted for within the respective ministries and no issues were raised from their end. ASCU was closed and disvandedherence it does not exist.			

Guidance Notes:

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


Principal Secretary


Principal Accounts Controller

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT FOR AGRICULTURE
 Reports and Financial Statements
 For the year ended June 30, 2018

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 2017/2018	Comments
	A	B	c	d=a-c		
Construction of buildings						
1. Vaghjyan Enterprises Ltd					19,832,258.00	
Sub-Total					19,832,258.00	
Supply of goods						
2. National Cereals and Produce Board					191,000,000.00	
3. National Cereals and Produce Board					800,000,000.00	
4. Finepad Computers					1,080,000.00	
Sub-Total					992,080,000	
Supply of services						
5. Mediamax Network Ltd					591,600.00	
6. The Attorney General					424,407.00	
7. Tulips Commercial College					158,500.00	
8. MTN Business					29,000.00	
Sub-Total					1,203,507.00	
Grand Total					1,013,115,765.00	

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT FOR AGRICULTURE
Reports and Financial Statements
For the year ended June 30, 2018

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

ANNEX 4–SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) 20XX/20XX	Additions during the year (Kshs)	Disposals during the year (Kshs)	Historical Cost c/f (Kshs) 20XX/20XX
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				
Total				

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. Ensure this section is complete covering all the entities assets)

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES – STATE DEPARTMENT FOR AGRICULTURE

Reports and Financial Statements

For the year ended June 30, 2018

ANNEX 5–LIST OF PROJECTS IMPLEMENTED BY THE ENTITY STATE DEPARTMENT FOR 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	Prof. Hamadi I. Boga	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	Prof. Hamadi I. Boga	Yes
3	Kenya Cereals Enhancement Programme	Contribute to National Food Security by increasing production of cereal staples	Prof. Hamadi I. Boga	Yes
4	Strengthening Fertilizer Quality and Regulatory Standards in Kenya Project	Improve Fertilizer quality stands and awareness of laws to stakeholders	Prof. Hamadi I. Boga	Yes
5	Eastern Africa Agriculture Productivity Project	Strengthening, training and up scaling regional cooperation in generation of technology	Prof. Hamadi I. Boga	Yes
6	Agriculture Sector Development Support Programme	Support the transformation of an innovative, commercially oriented, competitive and modern industry for poverty reduction and improve food security in rural Kenya	Prof. Hamadi I. Boga	Yes
7	Small scale Irrigation and Value Addition Project – Grant	Small irrigation and Value Addition to small scale farmers	Prof. Hamadi I. Boga	Yes
8	Kenya Climate Smart Agriculture Project	Improve Smart Agriculture Activities	Prof. Hamadi I. Boga	Yes
9	Drought Resilience and Sustainable Livelihoods Project	Invest in large Multipurpose water infrastructure and livestock production	Prof. Hamadi I. Boga	Yes

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

Ref	SC, 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 Proudence Board	Cereals	DR. R. Lesiyampe	N/A	No
2	Agriculture Development Corporation	Seed production	DR. R. Lesiyampe	-	Reconciliation ongoing
3	AFFA	Crop and Food authority	DR. R. Lesiyampe	-	Reconciliation ongoing
4	Bukura Agricultural College	Training	DR. R. Lesiyampe	92,000,000	Reconciliation ongoing
5	Horticulture Crops Development Authority	Horticulture	DR. R. Lesiyampe	N/A	No
6	Kenya Plant Health Inspectorate Services	Plant health services	DR. R. Lesiyampe	271,632,824	Reconciliation ongoing
7	Kenya Agriculture and Livestock research Organisation (Karlo)	Research on Agriculture and Livestock	DR. R. Lesiyampe	-	Reconciliation ongoing
8	Pest Control Products Board	Pest Control	DR. R. Lesiyampe	135,300,000	Reconciliation ongoing
9	Pyrethrum Control Board	Production of pyrethrum	DR. R. Lesiyampe	-	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	108,600,000	Reconciliation ongoing

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
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes