

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 13 MAR 2019 DAY: WED. PM

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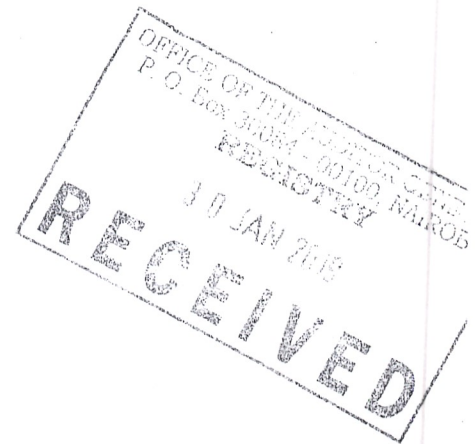
**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
AGRICULTURAL INFORMATION  
RESOURCE CENTRE REVOLVING FUND**

**FOR THE YEAR  
ENDED 30 JUNE 2018**





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**AGRICULTURAL INFORMATION RESOURCE CENTRE**

**REVOLVING FUND ACCOUNT**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

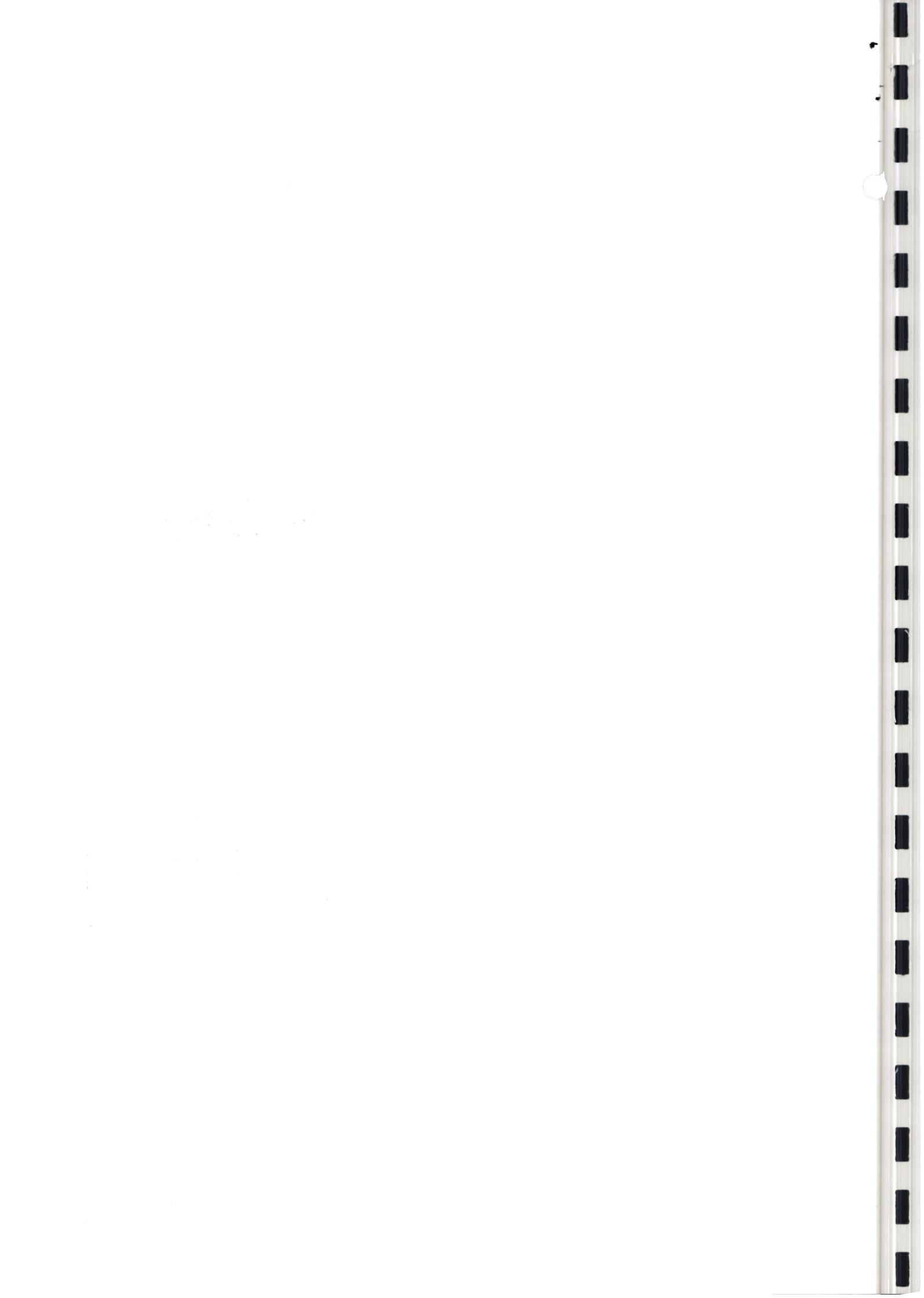
**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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



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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Agricultural Information Resource Centre (AIRC) is a Semi-Autonomous Governmental Agency (SAGA) in the State Department of Agriculture of the Ministry of Agriculture, Livestock and Fisheries. The Centre started in 1966 to disseminate agricultural information to farmers, extension workers and other stakeholders. In 1993, the centre was made a SAGA through legal notice no. 163 of June 25, 1993. This established the AIRC revolving fund which enables it to fulfil its commercial obligations and the AIRC Management Board that oversees the activities of the Centre. AIRC has been involved in the production of agricultural information materials for extension workers, farmers and also stakeholders in the agricultural sector. In addition to this, the Centre has been carrying out training programmes that focus on communication, supervisory and management skills for extension and other development workers.

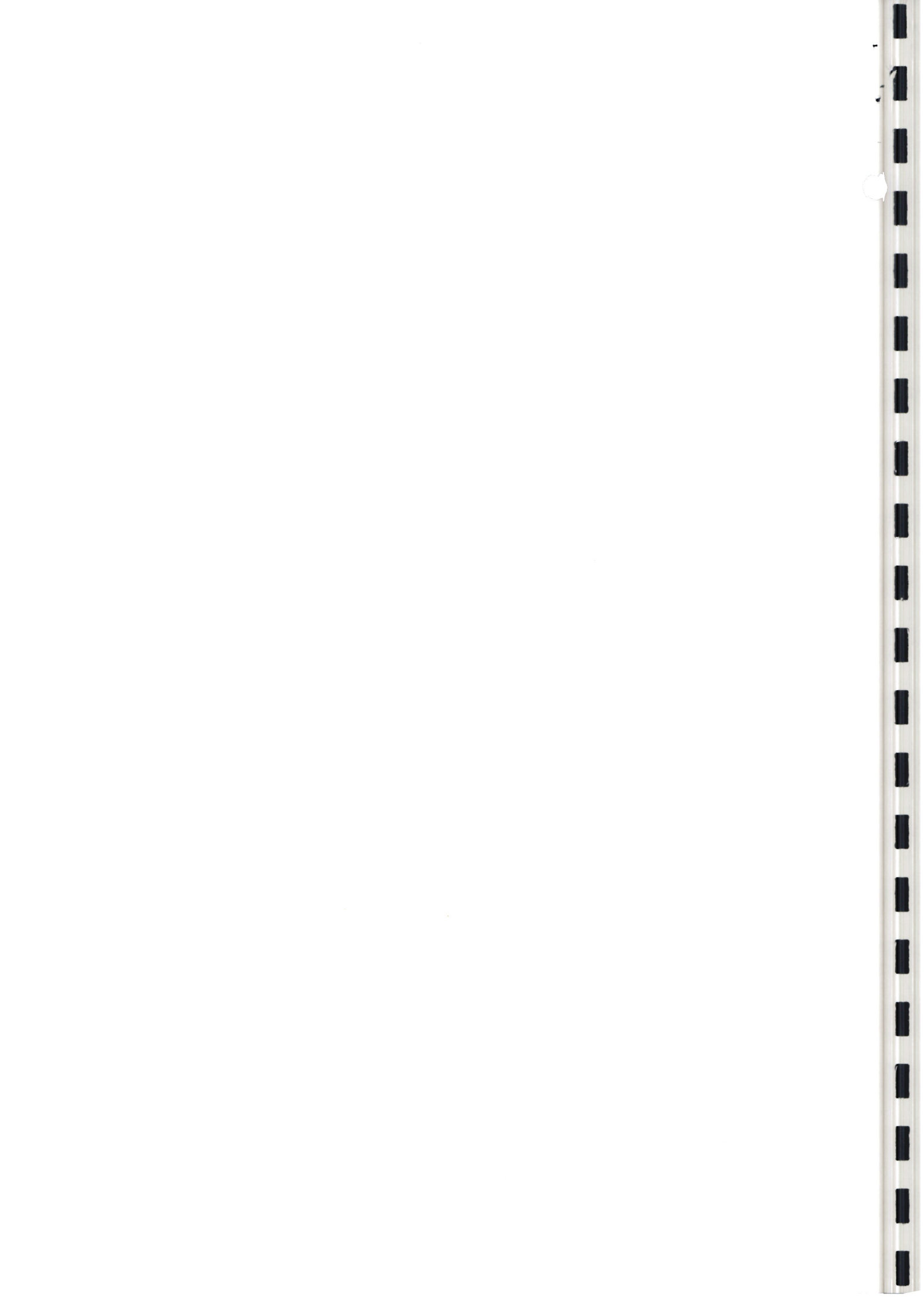
**(b) Principal Activities**

The primary mandate of AIRC is Agricultural Information and Knowledge Management. It is the main reference centre for agricultural information for farmers, extension providers and stakeholders in the Kenya and beyond. The Centre collects, collates, processes and disseminates agricultural information using various platforms to a wide spectre of stakeholder's. AIRC implements this mandate through the following specialized units:

- i. Training and Conference Unit,
- ii. Agricultural Documentation Services Unit (ADSU),
- iii. Agricultural Library Information Services Unit (ALIS),
- iv. Business Development and Marketing Unit,
- v. Mass Media Services Unit (consists of Radio, Video and Publication sub-units)
- vi. Monitoring and Evaluation Unit

**(c) Key Management (Head of Units)**

1. Dr Isaiah Onyango Okeyo	Director, AIRC
2. Lumumba Kokeyo	Training and Conference Unit,
3. Rose Mwangi Makunzo	Agricultural Documentation Services Unit (ADSU)
4. Lynette Kibisu	Business Development and Marketing Unit
5. Josephine Mugere	Mass Media Services Unit (consists of Radio, Video and Publication sub-units)
6. Nelco Mose	Head of Procurement Unit
7. Gerald Kurema	Head of Accounting Unit



**(d) Entity Headquarters**

P.O Box 66730-00800  
Kenya Agricultural Research Institute Centre  
Waiyaki way  
Nairobi, KENYA.

**(e) Entity Contacts**

Telephone:(254) 020 8025464  
E-mail: agrifodata@gmail.com  
Website: www.airc.go.ke

**(f) Bankers**

Kenya Commercial Bank Limited  
Sarit Centre Branch  
Nairobi, Kenya

**(g) Independent Auditors**

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

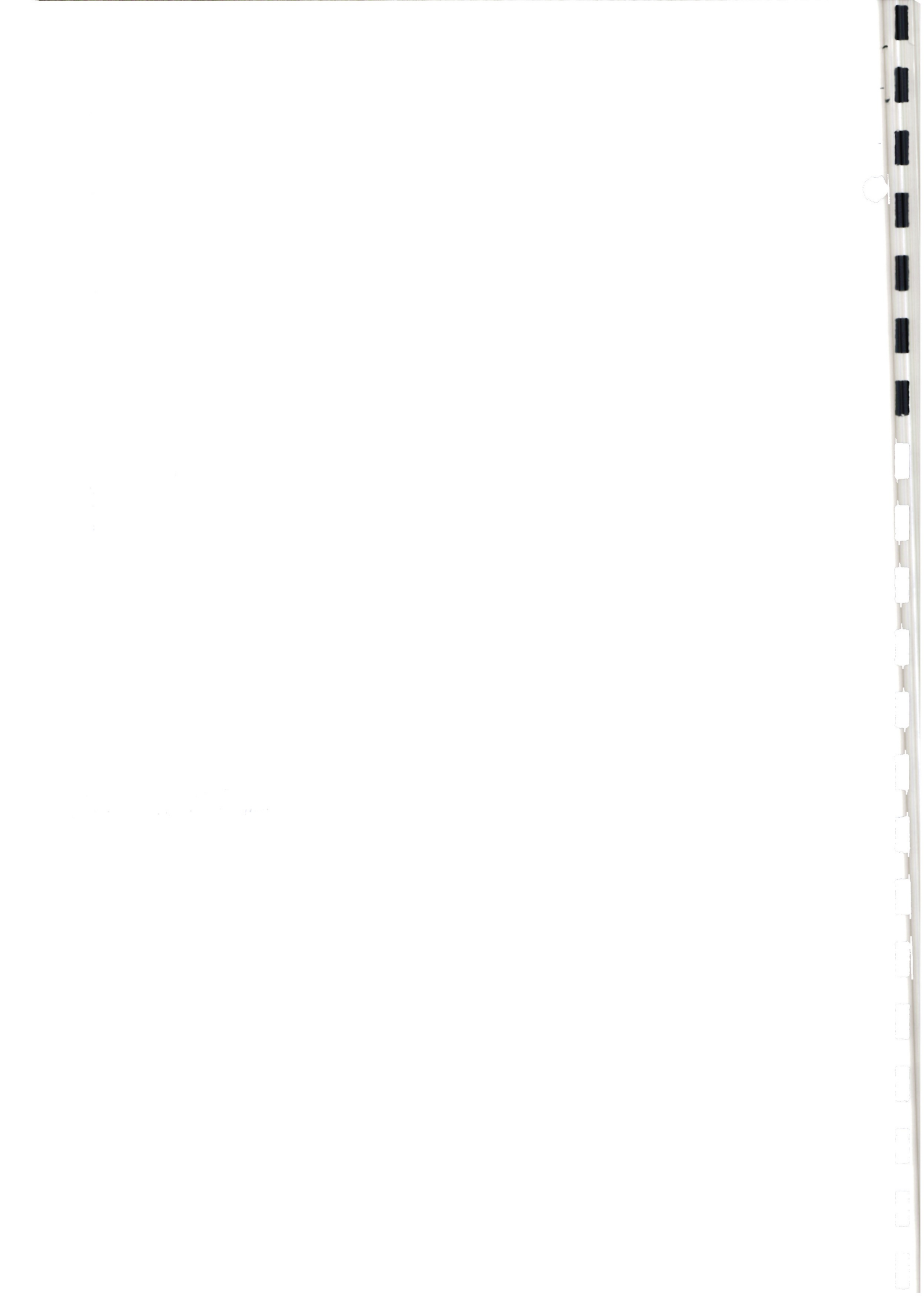
**(h) Principal Legal Advisor**

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



II THE BOARD OF DIRECTORS

NAME	QUALIFICATION AND WORK EXPERIENCE
1. Macheru Karuku	Sustainable Environment and Agriculture Network (SEANet) International
2. Dr. Haron Mwangi ,PhD Resigned	Representing Media Council of Kenya
3. Eng.Leo Boruett	Representing Communications authority of Kenya
4. Mercy Rewe	Kenya National Farmers Federation
5. Ruth Mwangi	Representing PS State Department for Crops Development
6. Charles Mutiso	Representing The National Treasury
7. Dr. Isaiah Okeyo	Board Secretary



# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Adverse Opinion

I have audited the accompanying financial statements of Agricultural Information Centre Revolving Fund set out on pages 9 to 27, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Agricultural Information Centre Revolving Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

#### Basis for Adverse Opinion

##### 1. Accumulated Surplus

The statement of financial position reflects an accumulated surplus of Kshs.12,115,374 as at 30 June 2018 (2017: Kshs.18,003,893). However, the decrease of Kshs.5,888,519 from the previous year's balance has not been supported by any movement schedule or other documentary evidence.

In addition, the statement of changes in net assets for the year ended 30 June 2018 shows accumulated surplus balance of Kshs.19,460,906 as of that date which differs with the balance of Kshs.12,115,374 reflected in the statement of financial position as at 30 June 2018. The resulting difference of Kshs.7,345,532 has not been reconciled or explained.

Under the circumstances, the accuracy of the accumulated surplus of Kshs.12,115,374 reflected in the statement of financial position as at 30 June 2018 cannot be ascertained.

##### 2. Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June 2018 reflects total net assets balance of Kshs.58,377,628 as at 30 June 2018 which differs with the balance of

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*Report of the Auditor-General on the Financial Statements of Agricultural Information Resource Centre for the year ended 30 June 2018*

Kshs.15,744,051 shown in the statement of financial position by Kshs.42,633,577. The difference has not been reconciled or explained.

The statement further shows capital replacement reserve balance of Kshs.19,458,361 comprising depreciation reserve of Kshs.13,569,842 and transfer to /from accumulated surplus of Kshs.5,588,519. However, the same have not been supported with analysis and explanatory notes.

### 3. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects a balance of Kshs.10,505,140 in respect of receivables from exchange transactions as at 30 June 2018, which includes an amount of Kshs.2,808,559 relating to the period from November 1993 to June 2017. No documentary evidence has been provided by management to show efforts made to recover these long outstanding debts. In addition, no provision for bad debts has been made in the financial statements for the long outstanding amount.

In the above circumstances, receivables from exchange transactions balance of Kshs.10,505,140 as at 30 June 2018 is not fairly stated.

### 4. Unsupported Decrease in Government Grants

The statement of cash flows for the year 30 June 2018 reflects an amount of Kshs.12,600,998 in respect of decrease in government grants. However, the management has not provided supporting documents to show what the amount represents.

Under the circumstances, it has not been possible to confirm the validity and completeness of the amount of Kshs.12,600,998 reflected in the statement of cash flows.

### 5. Inaccuracies in the Financial Statements

The following inaccuracies were noted in the financial statements presented for audit:

Element of the Financial Statements	Component Affected	Observation	Balance as per Financial Statements Kshs	Correct Balance Kshs	Variance Kshs
Note 14	Surplus/Deficit for the year before tax	Previous year's comparative balance differs from 2016/2017 audited account balance	1,346,547	Audited 2016/2017 account balance 1,842,267	495,720
Note10	Total Cash and Cash Equivalents	Previous year's comparative balance not correctly stated	13,815,020	Audited 2016/2017 account balance 9,135,207	4,679,813
Note13	Total Net Book Values-Property Plant & Equipment	Previous year's comparative balance inaccurately stated	1,582,031	Audited 2016/2017 account balance 1,630,827	48,796

Statement of Financial Position	Total Net Assets & Liabilities	Incorrect total stated	Balance indicated 15,744,051	Correct balance 16,769,197	1,025,146
<b>Element of the Financial Statements</b>	<b>Component Affected</b>	<b>Observation</b>	<b>Balance as per Financial Statements Kshs</b>	<b>Correct Balance Kshs</b>	<b>Variance Kshs</b>
Statement of Financial Performance for the Year	Revenue from Exchange Transactions	Incorrect total revenue stated	Amount indicated 27,672,728	Correct amount 24,864,169	2,808,559
Statement of Changes in Net Assets	Accumulated Surplus	Previous year's balance incorrectly stated	Previous year's balance 32,567,104	audited 2016/2017 accounts balance 31,385,588	1,181,516

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June 2018 could not be confirmed.

#### **6. Incorrect Classification of Expenditure on Purchase of Curtain and Fittings**

Note 13 to the financial statements reflects additional assets during the year of Kshs.810,825 under plant and machinery. This amount includes Kshs.676,250 incurred on purchase of curtains and fittings which should have been classified under furniture and fittings, and depreciated at 12.5 % per annum instead of the rate applied of 10 % for plant and machinery. Thus the accuracy of the depreciation charge for the year of Kshs.410,381 could not be confirmed.

#### **7. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.30,604,000, while the approved budget for the year ended 30 June 2018 reflects total budgeted expenditure of Kshs.29,244,360, resulting in an unexplained variance of Kshs.1,359,640.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Agricultural Information Centre Revolving Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use Public Resources sections, I have determined that there are no key audit matters to communicate in my report.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Under-collection of Revenue**

According to the statement of comparison of budget and actual amounts, the Fund budgeted to collect revenue totalling Kshs.41,400,000 in 2017/2018 financial year but the actual amount collected was Kshs.27,672,728 and thus, resulting in an under-collection of Kshs.13,727,272 or 33% the budgeted amount. This is an indication that the public resources were not efficiently and effectively used to achieve the planned budget target during the year under review.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and 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 (Accrual 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 ability of Agricultural Information Centre Revolving Fund 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 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**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Agricultural Information Centre Revolving Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Agricultural Information Centre Revolving Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**27 February 2019**

**VI. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2018**

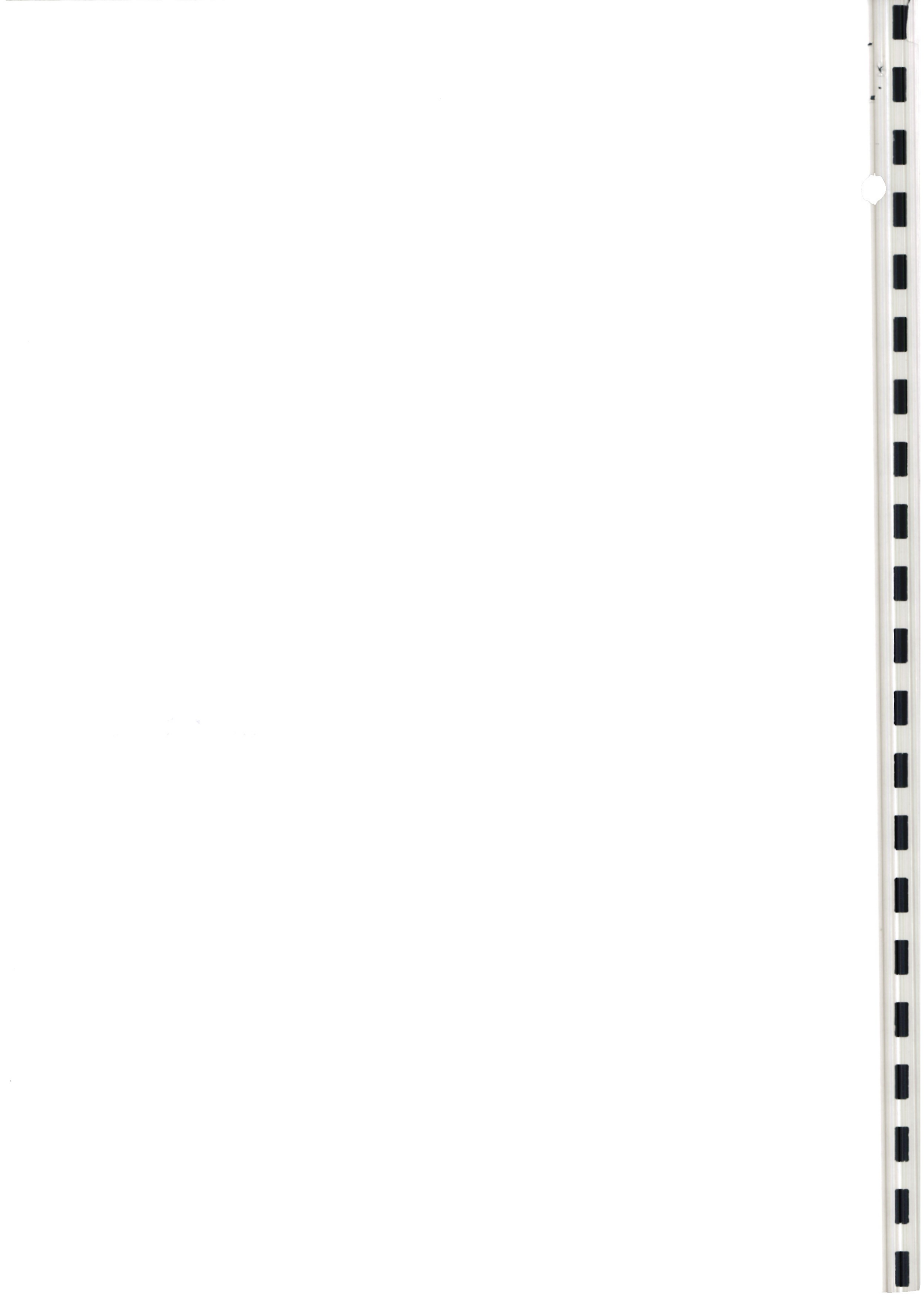
	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Revenue from exchange transactions</b>			
Rendering of services	3	24,864,169.00	31,403,264.00
<b>Total revenue</b>		<u>27,672,728 00</u>	<u>31,403,264.00</u>
<b>Expenses</b>			
Purchase of goods and services	4	12,113,960.00	13,508,244.00
Employee costs	5	2,480,861.00	3,728,321.00
Depreciation and amortization expense	6	470,381.00	2,423,078.00
Repairs and maintenance	7	1,519,704.00	1,515,391.00
General expenses	8	7,153,073.00	8,762,683.00
Board Allowance	9	402,693.00	119,000.00
<b>Total expenses</b>		<u>24,140,673.00</u>	<u>30,056,717.00</u>
<b>Surplus for the year</b>		<u>723,496.00</u>	<u>1,346,547.00</u>



**Prof. Hamadi I. Boga, PhD**  
Principal Secretary.




**Gerald K. Korema**  
Chief Accountant  
ICPAK Member Number 8980



VII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

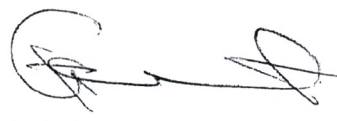
	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	1,594,047.00	9,135,207.00
Receivables from exchange transactions	11	10,505,140.00	15,091,667.00
Inventories	12	3,087,980.00	3,940,750.00
		<b>15,187,167.00</b>	<b>28,167,624.00</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	1,582,030.00	630,827.00
Intangible assets	14	-	-
<b>Total Assets</b>		<b>16,769,197.00</b>	<b>28,798,451.00</b>
<b>Liabilities</b>			
Current liabilities		1,025,146.00	-
Non-current liabilities		-	-
<b>Total liabilities</b>		<b>1,025,146.00</b>	<b>-</b>
<b>Net Assets</b>		<b>15,744,051.00</b>	<b>28,798,451.00</b>
Reserves		3,628,677.00	10,794,558.00
Accumulated surplus		12,115,374.00	18,003,893.00
<b>Total net assets and liabilities</b>		<b>15,744,051.00</b>	<b>28,798,451.00</b>

The Financial Statements set out on pages 6 to 21 were signed on behalf of the Fund by:

  
Prof. Hamadi I. Boga, PhD

Principal Secretary

Date: 31/1/19

  
Gerald K. Korema

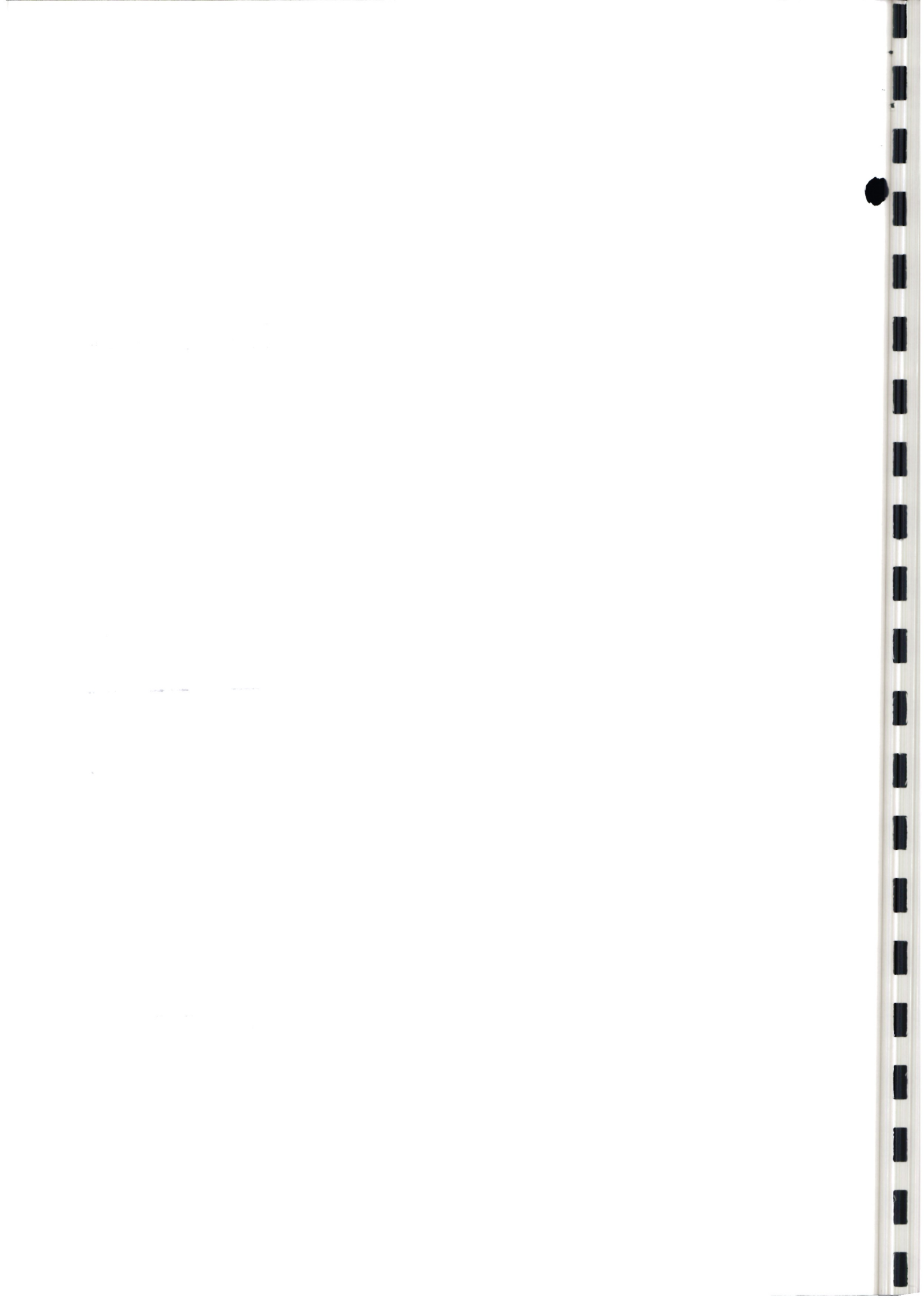
Head of Accounting Unit

Date: 28/12/2018



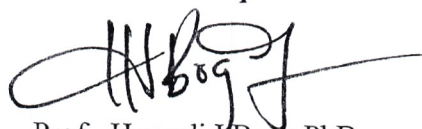
VIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2018

	Reserves		
	Capital replacement development reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs
<b>Balance as at 30 June 2016</b>	10,000,000.00	31,290,399.00	<b>41,385,588.00</b>
Surplus/(deficit) for the period	9,458,361.00	1,183,516.00	<b>10,641,877.00</b>
Transfers to/from accumulated surplus	-	-	-
<b>Balance as at 30 June 2016</b>	<b>19,458,361.00</b>	<b>32,569,104.00</b>	<b>52,027,465.00</b>
Depreciation Reserve			
Surplus/Deficit for the period	1,582,030.00		<b>1,582,030.00</b>
Transfers to/from accumulated surplus	(15,214,752.00)		<b>(15,214,752.00)</b>
<b>Balance as at 30 June 2017</b>	<b>19,458,361.00</b>	<b>32,569,104.00</b>	<b>52,027,465.00</b>
Depreciation Reserve	13,569,842.00		<b>13,569,842.00</b>
Surplus/Deficit for the period		723,496.00	<b>723,496.00</b>
Transfers to/from accumulated surplus	5,588,519.00	(13,831,694.00)	<b>(7,943,175.00)</b>
<b>Balance as at 30 June 2018</b>	<b>19,458,361.00</b>	<b>19,460,906.00</b>	<b>58,377,628.00</b>



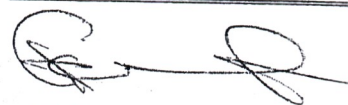
IX. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Cash flows from operating activities</b>			
<u>Receipts</u>			
Rendering of services		24,864,169.00	31,403,263.00
<b>Total Receipts from Rendering of services</b>		<b>24,864,169.00</b>	<b>31,403,263.00</b>
<u>Payments</u>			
Purchase of Goods and Services		12,113,960.00	13,508,244.00
Employees Costs		2,480,861.00	3,728,321.00
General Expenses		7,153,073.00	8,762,683.00
Repairs and Maintenance		1,519,704.00	1,515,391.00
Board Allowance		402,693.00	119,000.00
<b>Total Payments</b>		<b>23,670,292.00</b>	<b>27,633,639.00</b>
<b>Net cash flows from operating activities</b>		<b>1,193,876.00</b>	<b>3,769,625.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(1,404,605.00)	-
Decrease in stock		852,770.00	6,394,106.00
Increase in debtors		4,586,527.00	(468,616.00)
Increase in Creditors		1,025,146.00	-
<b>Net cash flows used in investing activities</b>		<b>5,059,838.00</b>	<b>5,925,490.00</b>
<b>Cash flows from financing activities</b>			
Decrease in Government grants		(12,600,998)	(10,258,204.00)
<b>Net cash flows used in financing activities</b>		<b>(12,600,998)</b>	<b>(10,258,204.00)</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>(7,541,160.00)</b>	<b>4,332,714.00</b>
Cash and cash equivalent asat1 <sup>st</sup> July2017		9,135,207.00	13,467,921.00
<b>Cash and cash equivalent asat30<sup>th</sup> JUNE2018</b>		<b>1,594,047.00</b>	<b>9,135,207.00</b>



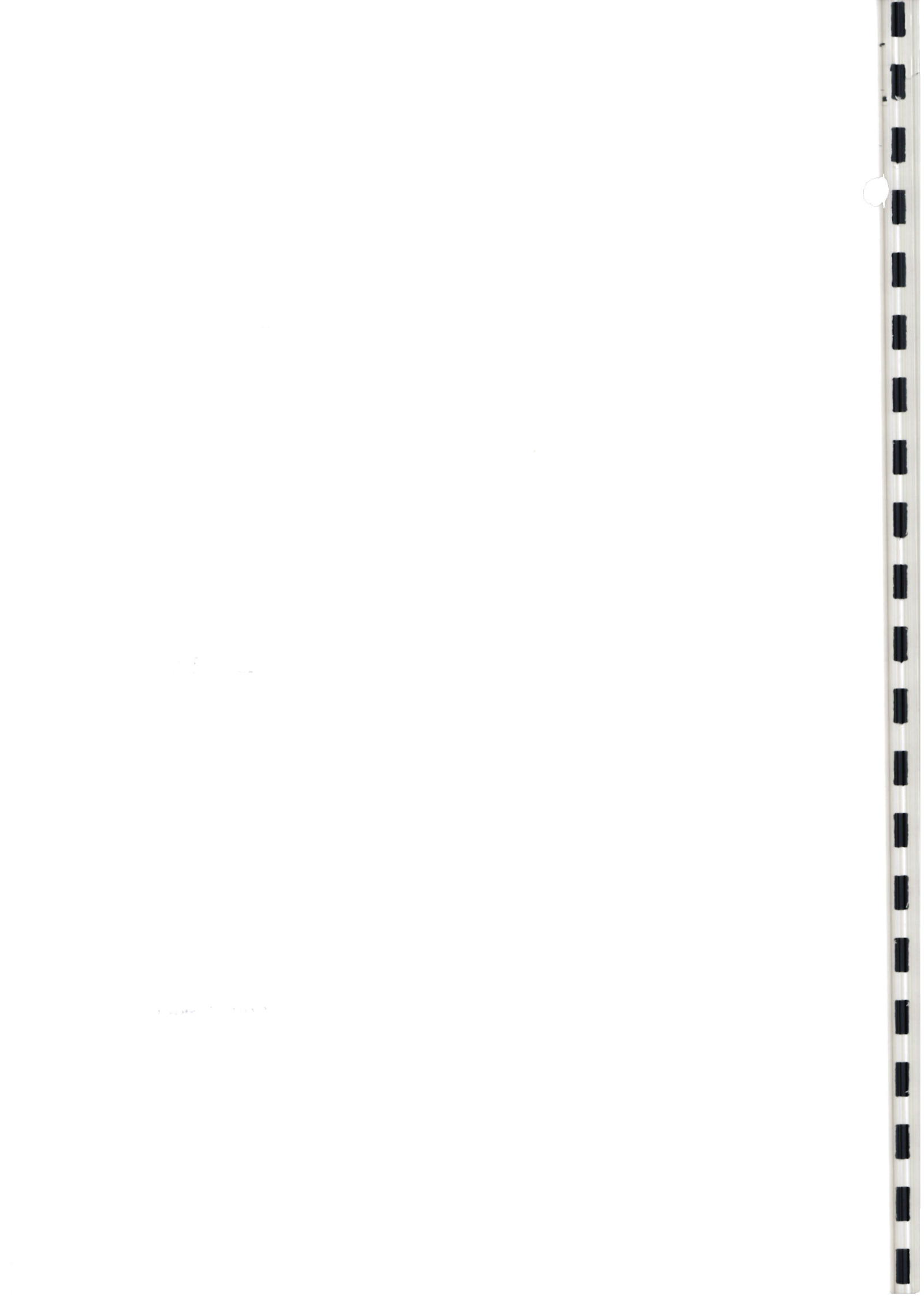
Prof.. Hamadi Boga PhD  
Principal Secretary

Date 3/1/19



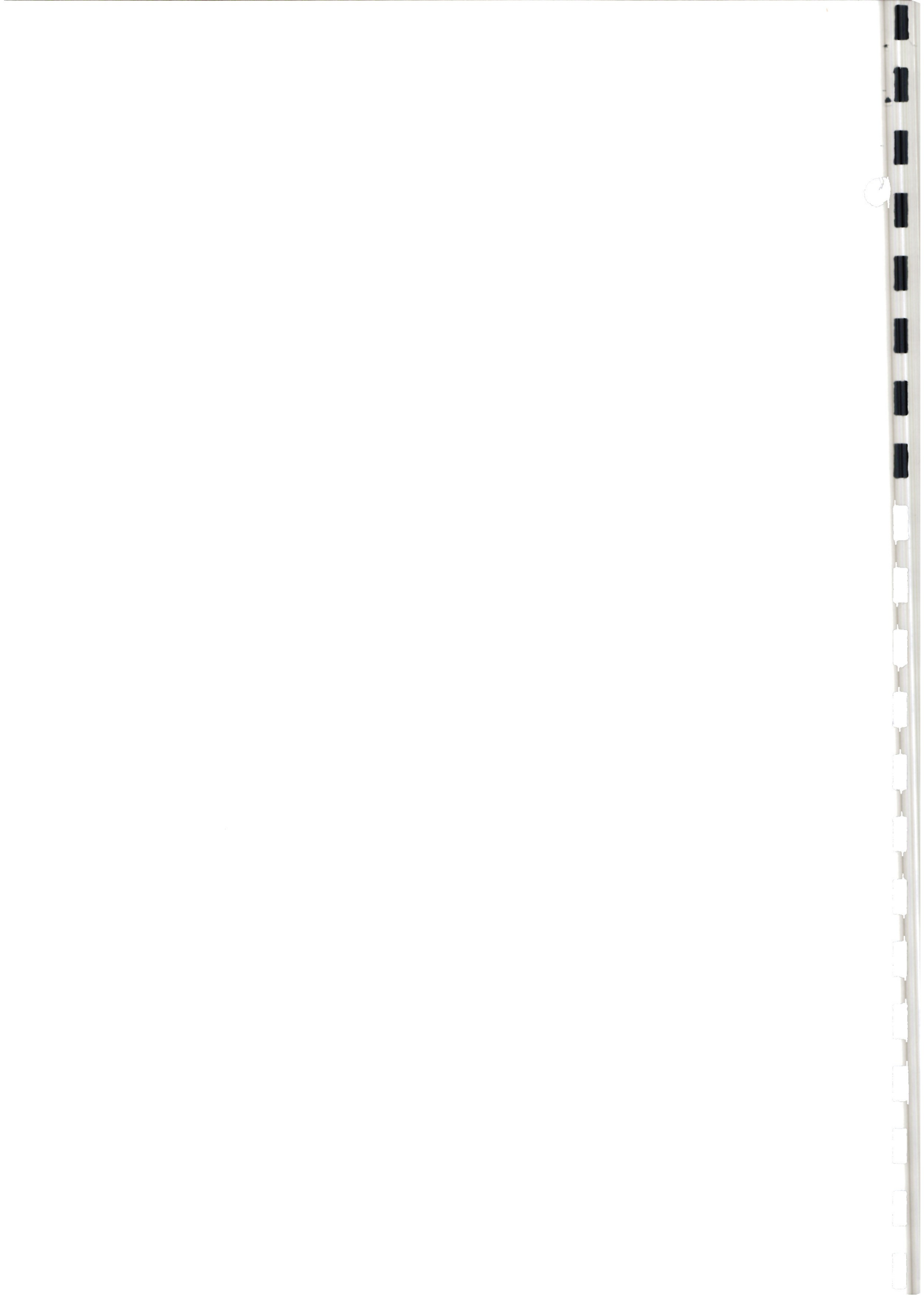
Gerald K. Korema  
Chief Accountant

Date 28/12/2018



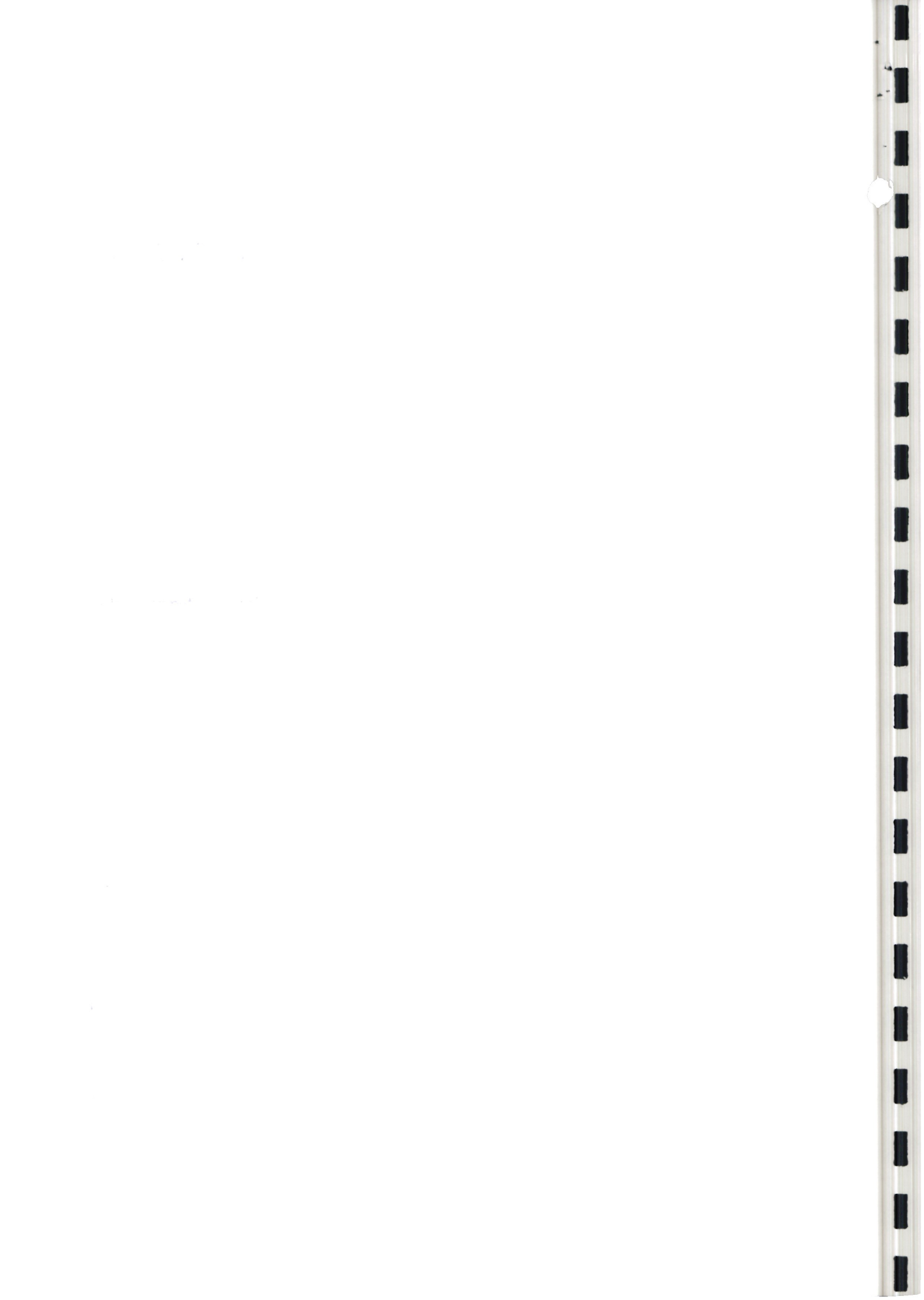
X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Ad just me nts	Final budget	Actual on compara ble basis	Performan ce difference	%
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Radio Unit	1,400,000	-	1,400,000	-	(1,400,000)	100%
Video Unit	12,200,000	-	12,200,000	1,552,500	(10,647,500)	-87%
Publication Unit	13,600,000	-	13,600,000	16,478,428.	(2,878,428)	-21%
Training Unit	14,200,000	-	14,200,000	9,641,800.	4,558,200	32%
<b>Total income</b>	<b>41,400,000</b>	<b>-</b>	<b>41,400,000</b>	<b>27,672,728</b>	<b>(13,727,272)</b>	<b>-33%</b>
<b>Expenses</b>		-	-			
Casual labour	145,200	-	145,200	829,972	(684,772)	472%
Electricity	240,000	-	240,000		240,000	100%
Water and sewerage charges	1,360,000	-	1,360,000	445,199	914,801	67%
Cooking Gas	400,000	-	400,000	172,120	227,880	57%
Telephone Expenses	60,000	-	60,000		60,000	100%
Internet connection	300,000	-	300,000	37,452	262,548	88%
Postal and Telegrams Expenses	360,000	-	360,000	44,610	315,390	88%
Official entertainment	144,000	-	144,000		144,000	100%
Daily subsistence allowance	3,113,000	-	3,113,000	1,650,890	1,462,110	47%
Publishing and Printing Expenses	7,568,000	-	7,568,000	8,202,117	(634,117)	-8%
Boards Allowance	240,000	-	240,000	402,693	(162,693)	-68%
Supplies for broadcasting & information	1,440,000	-	1,440,000	-	1,440,000	100%



REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018

Purchase of Food and ration	615,000	-	615,000	1,745,099	(1,130,099)	- 184%
Photographic Materials	4,888,000	-	4,888,000	1,313,974	3,574,026	73%
General office supplies (papers, pencils, etc)	831,000	-	831,000	1,665,108	(834,108)	- 100%
Sanitary and Cleaning Materials	325,800	-	325,800	532,738	(206,938)	-64%
Refined Fuel and Lubricants for Transport	1,065,000	-	1,065,000	748,171	316,829	30%
Bank charges	475,000	-	475,000	20,213	454,787	96%
Fees and commission	216,000	-	216,000	-	216,000	100%
Security Services	360,000	-	360,000	558,000	(198,000)	-55%
Contracted Professional Services	1,966,000	-	1,966,000	2,660,350	(694,350)	-35%
Maintenance Expenses - motor vehicles	744,000	-	744,000	617,987	126,013	17%
Maintenance of Plant, machinery and Equipments	810,000	-	810,000	519,615	290,385	36%
Maintenance of buildings and stations	2,938,000	-	2,938,000	382,102	2,555,898	87%
<b>Total expenditure</b>	<b>30,604,000</b>	<b>-</b>	<b>30,604,000</b>	<b>22,548,410</b>	<b>8,055,590</b>	
<b>Surplus for the period</b>	<b>10,796,000</b>	<b>-</b>	<b>10,796,000</b>	<b>5,124,318</b>	<b>5,671,682</b>	



## XI. NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of compliance and basis of preparation

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest cent. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

##### i) Revenue from exchange transactions

###### *Rendering of services*

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

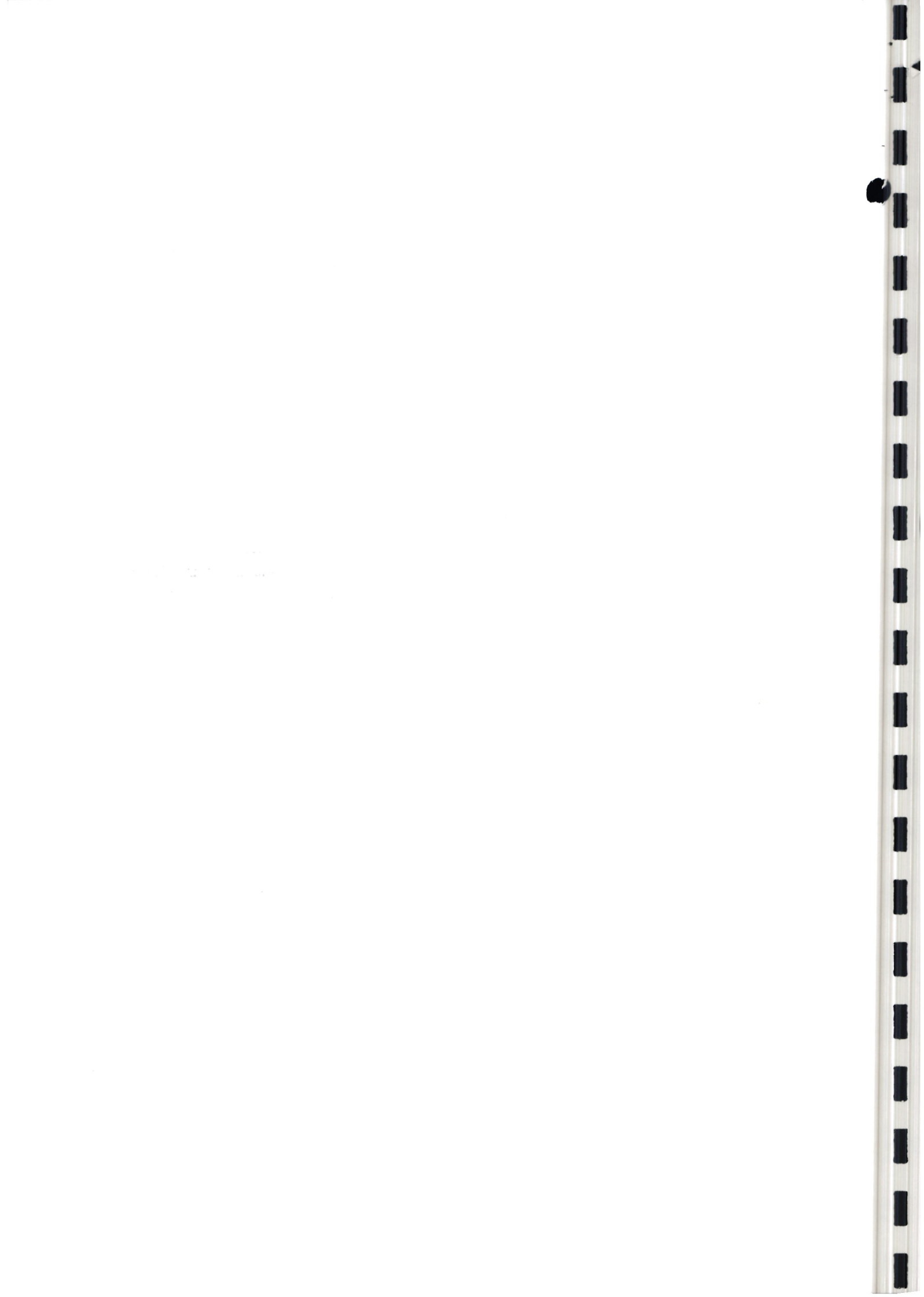
##### ii) Revenue recognition

###### *Sale of goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

##### iii) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate



additional financial statement in the statement of comparison of budget and actual amounts.

**iv) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**v) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

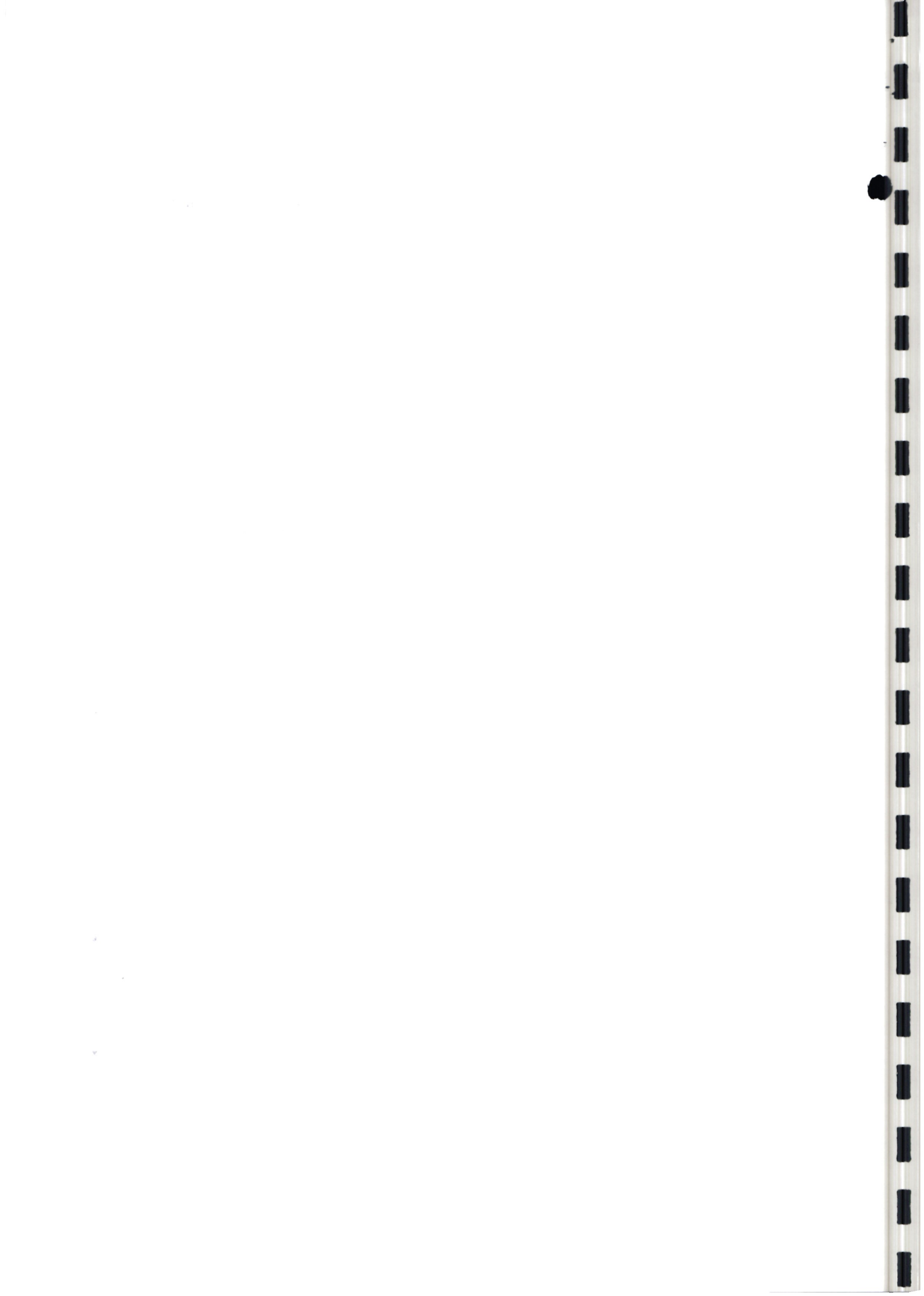
**b) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the



estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**c) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**e) Comparative figures**

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

**f) Significant judgments and sources of estimation uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the



disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**g) Significant judgments and sources of estimation uncertainty**

State all judgments, estimates and assumptions made: e.g.

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

***Useful lives and residual values***

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i. The condition of the asset based on the assessment of experts employed by the entity;
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- iii. The nature of the processes in which the asset is deployed;
- iv. Availability of funding to replace the asset; and
- v. Changes in the market in relation to the asset.

***Provisions***

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years



and the assumption was made that the areas stay the same in size for a number of years.

**Significant judgments and sources of estimation uncertainty**

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

**h) Depreciation policies**

The fund depreciates its fixed assets as follows;-

- i) Plant and machineries are depreciated on straight line basis at a rate of 10% per year
- ii) Furniture and fitting are depreciated on a straight line at a rate of 12.5% per year
- iii) Computers are depreciated on a straight line at a rate of 33.33% per year
- iv) Motor vehicles are depreciated on a straight line at a rate of 25% per year
- v) Intangible assets are amortized over a period of three years
- vi) Assets bought in June or at the end of the financial are not depreciated

**3. Rendering of services**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Revenue from Radio, Video ,desktop publishing and Training unit	24,864,169.00	31,403,263.00
<b>Total revenue from rendering of services</b>	<b>24,864,169.00</b>	<b>32,084,466.00</b>



4. Purchase of goods and services

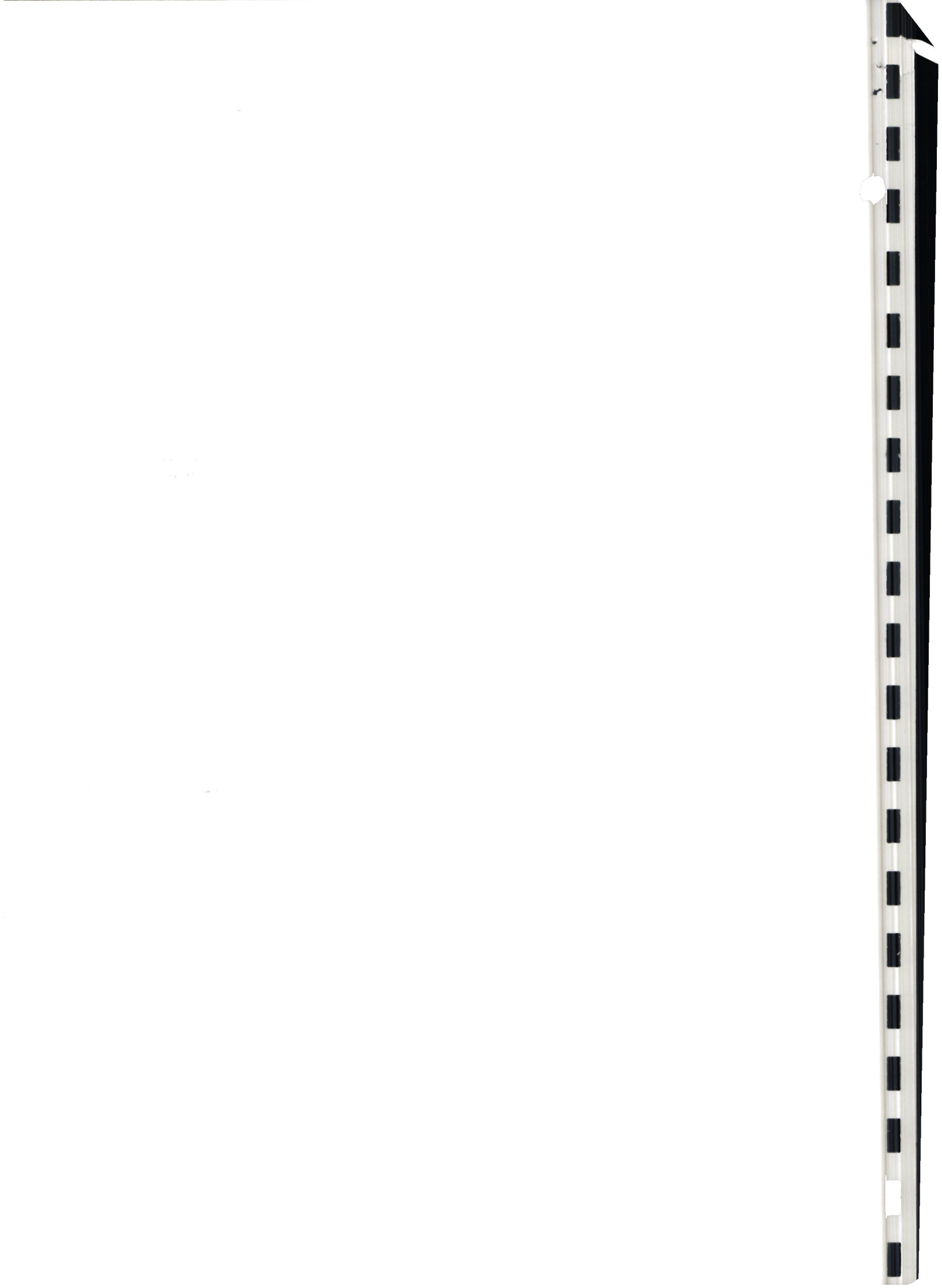
	2017-2018 KShs	2016-2017 KShs
Opening Stock	3,940,750.00	10,334,856.00
Add: Production Materials Purchased:		
Food and Ration	1,745,099.00	1,392,910.00
Printing Materials	8,202,117.00	4,578,656.00
Photographic Materials	1,313,974.00	1,142,572.00
Total Production Materials	<u>15,201,940.00</u>	<u>17,448,995.00</u>
Less: Closing Stock	<u>3,087,980.00</u>	<u>3,940,750.00</u>
Total Production Materials Used	<u><u>12,113,960.00</u></u>	<u><u>13,508,244.00</u></u>

5. Employee costs

	2017-2018 Kshs	2016-2017 Kshs
Casual Workers' Wages	829,972.00	512,112.00
Daily Subsistence Allowance	1,650,890.00	<u>3,216,209.00</u>
Total employee costs	<u>2,480,862.00</u>	<u>3,72,321.00</u>

6. Depreciation and amortization expense

	2017-2018 KShs	2016-2017 KShs
Property, plant and equipment	470,381	2,473,078.00
Total depreciation and amortization	<u>453,400.00</u>	<u>2,423,078.00</u>



**7.Repairs and maintenance**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Maintenances of station	382,102.00	446,030.00
Maintenances of Plant and Equipment	519,615.00	94,010.00
Maintenances of Motor Vehicles	617,987.00	975,351.00
<b>Total repairs and maintenance</b>	<b>1,519,704.00</b>	<b>1,515,391.00</b>

**8.General expenses**

The following are included in general expenses:

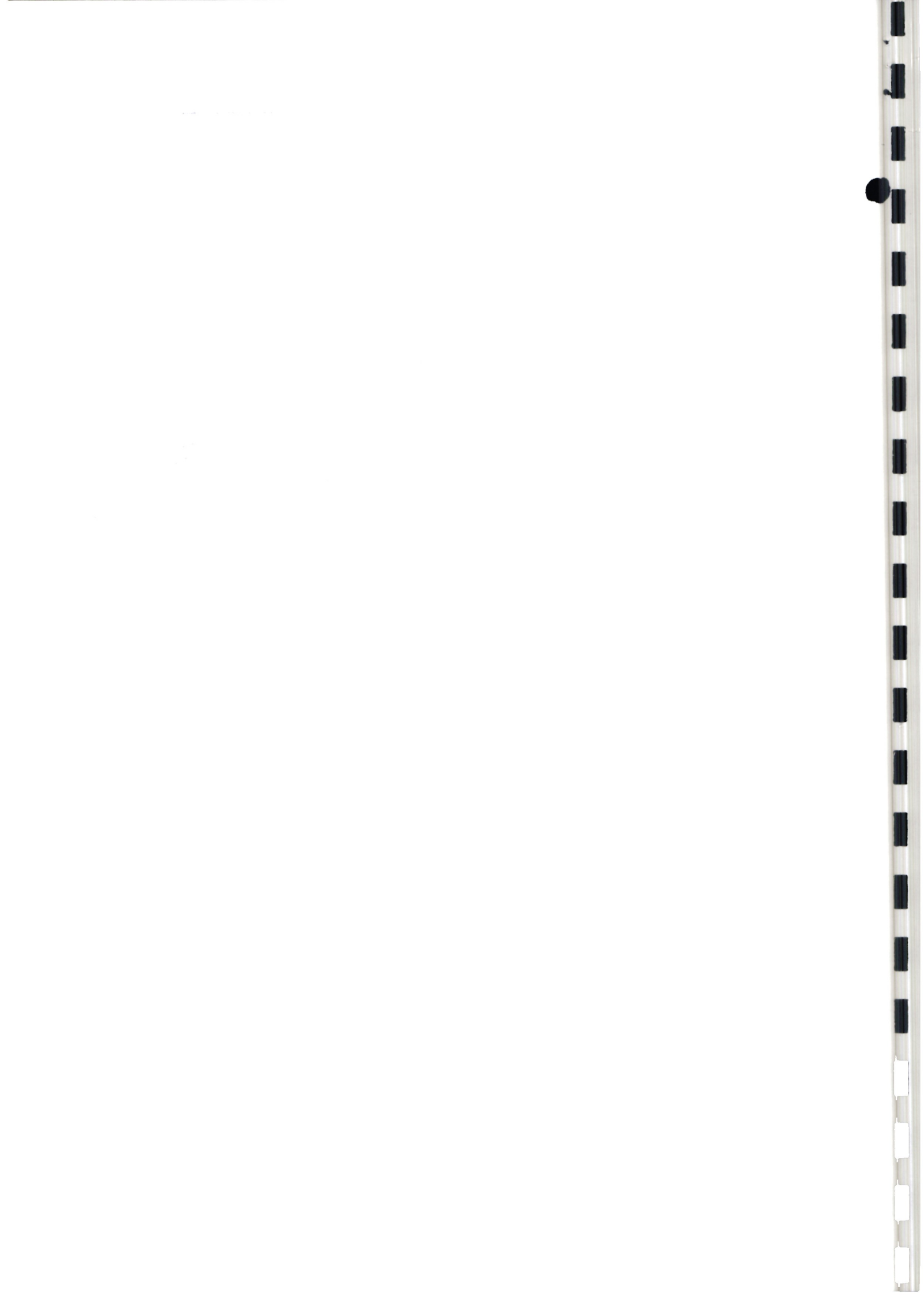
	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Board ,seminars and conference	269,112.00	1,068,824.00
Refined Fuel & Lubricant	748,171.00	478,160.00
Subscription to Newspapers	0.00	16,200.00
Advertising and Publicity	0.00	1,205,720.00
Contracted Services (Security Guards)	558,000	240,000.00
Bank Charges	20,213.00	16,729.00
Stationary Expenses	1,665,108.00	1,169,945.00
Internet connection	37,452.00	418,574.00
Contracted Professional services	2,660,350.00	3,280,300.00
Sanitary and cleaning material	532,738.00	221,762.00
Gas	172,120.00	231,430.00
Water and Sewerage Services	445,199.00	385,799.00
Courier and Postage Services	44,610.00	29,240.00
<b>Total general expenses</b>	<b>7,153,073.00</b>	<b>8,762,683.00</b>

**9. Board Allowance**

Board Allowance 402,693.00

**10..Cash and cash equivalents**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Bank	1,594,047.00	9,135,207.00
<b>Total cash and cash equivalents</b>	<b>1,594,047.00</b>	<b>13,815,020.90</b>

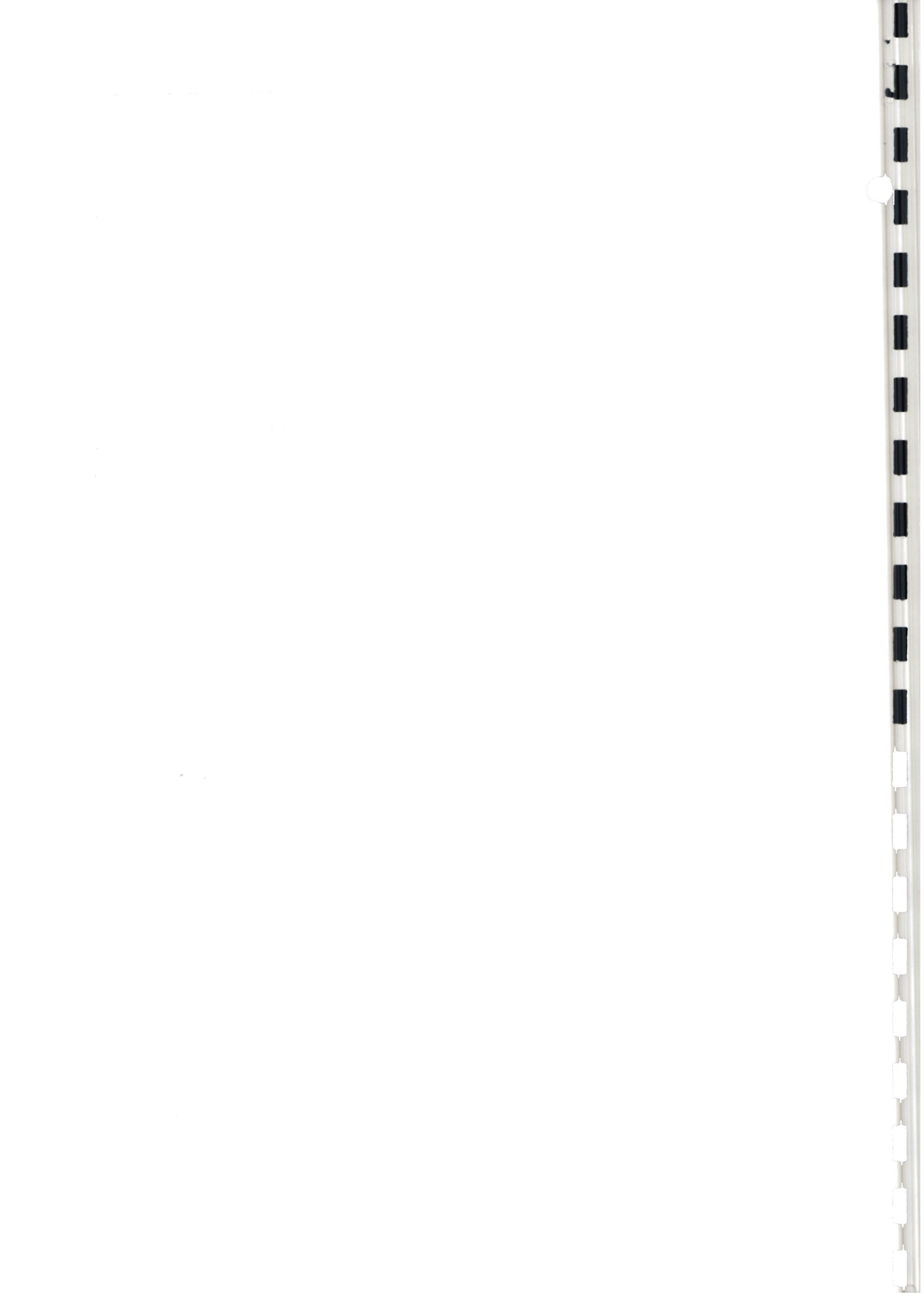


**11.Receivables from exchange contracts**

<b>Current receivables</b>	<b>2017-2018 KShs</b>	<b>2017-2018 KShs</b>
Other debtor exchange transactions)	10,505,140.00	15,091,667.00
Staff Debtors	-	-
<b>Total current receivables</b>	<b>10,505,140.00</b>	<b>15,091,667.00</b>

**12.Inventories**

	<b>2017-2018 KShs</b>	<b>2016-2017 KShs</b>
Other goods held for resale	3,087,980.00	3,940,750.00
Catering	-	-
<b>Total inventories</b>	<b>3,087,980.00</b>	<b>3,940,750.00</b>

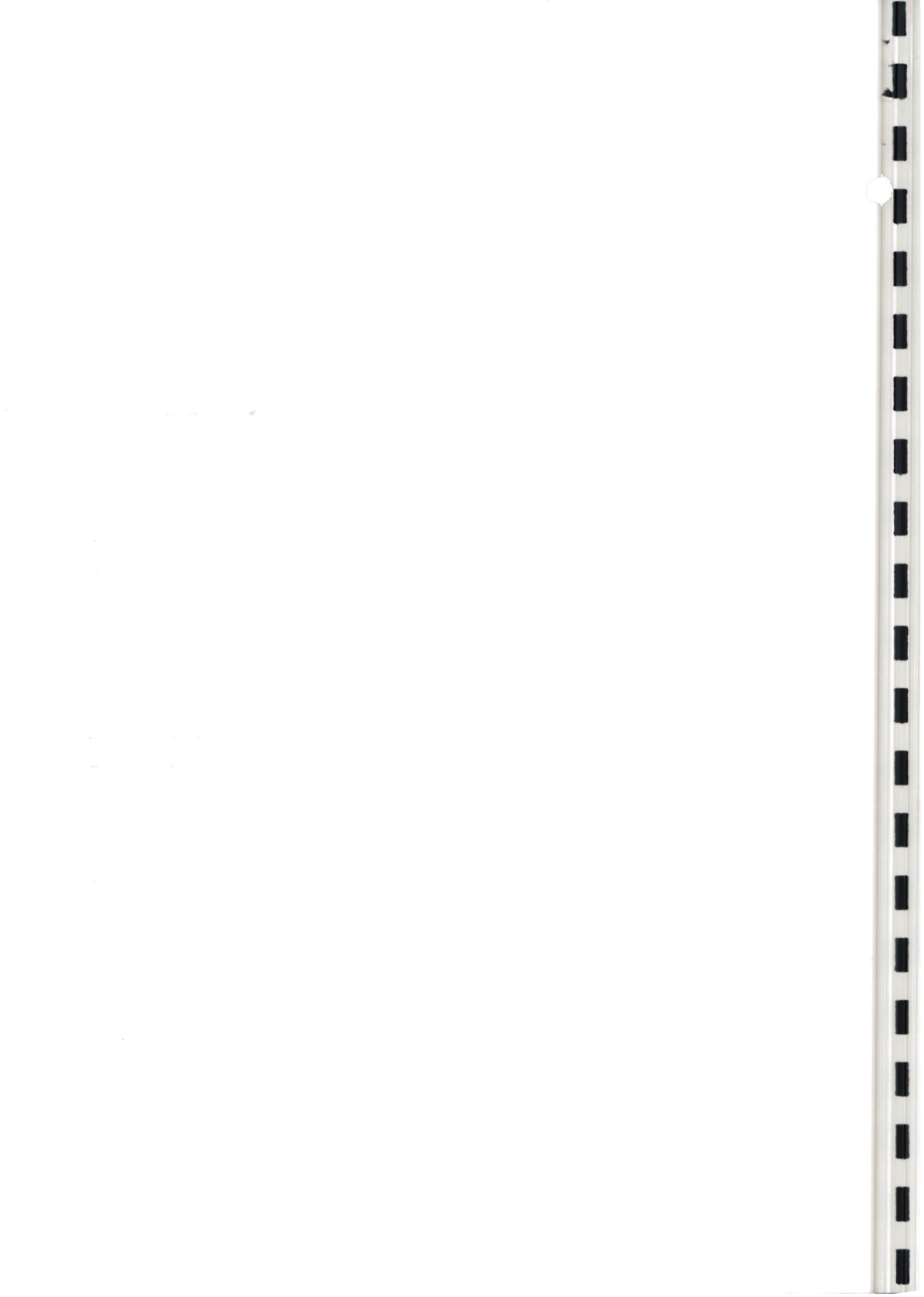


### 13. Property, plant and equipment

	Intangible assets	Plant & machinery	Computer and related equipment	Furniture & Fittings	Motor Vehicles	Total
<u>Depreciation Rate</u>		10%	33.30%	12.50%	0	
<u>Cost or Valuation:</u>	Shs	Shs	Shs	Shs	Shs	Shs
As at 1st July, 2017		12,130,000.00	19,132,347.00	1,680,620	4,000,000	36,942,967
Additions during the year	-	810,825.00	309,940.00	283,840.00	-	1,404,605.
Disposal	-	-	-	-	-	-
<b>As at 30th June 2018</b>	-	12,940,825.00	19,442,287.00	1,964,460.00	4,000,000	38,347,572.
<b>Depreciation and Impairment</b>	-	-	-	-	-	-
At 1st July 2017	-	11,894,500.00	19,132,347.00	1,285,294.00	4,000,000	36,312,141
Depreciation		104,632.00	103,210.00	330,464		470,381
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
<b>At 30 June 2018</b>	-	11,999,133.00	19,235,557.00	1,530,852.00	4,000,000	36,765,541
Netbook values						
At 30 June 2018	-	941,693.00	206,730.00	433,609.00	-	1,582,030
At 30 June 2017		235,500.00	206,730.00	395,327.00		1,582,031

### 14. Cash generated from operations

	2017-2018 Kshs.	2016-2017 Kshs.
Surplus/Deficit For the Year before Tax	740,476.00	1,346,547.00
Adjusted for:		
Depreciation	1,582,030.00	2,423,078.00
Non-cash grants received	-	-
<b>Working capital adjustments:</b>		
Decrease in inventory	852,770.00	6,394,106.00
Decrease in receivables	4,586,528.00	(468,616.00)
Increase in creditors	1,025,146.00	
<b>Net cash flows from operating activities</b>	<b>8,786,949.00</b>	<b>10,900,835.00</b>



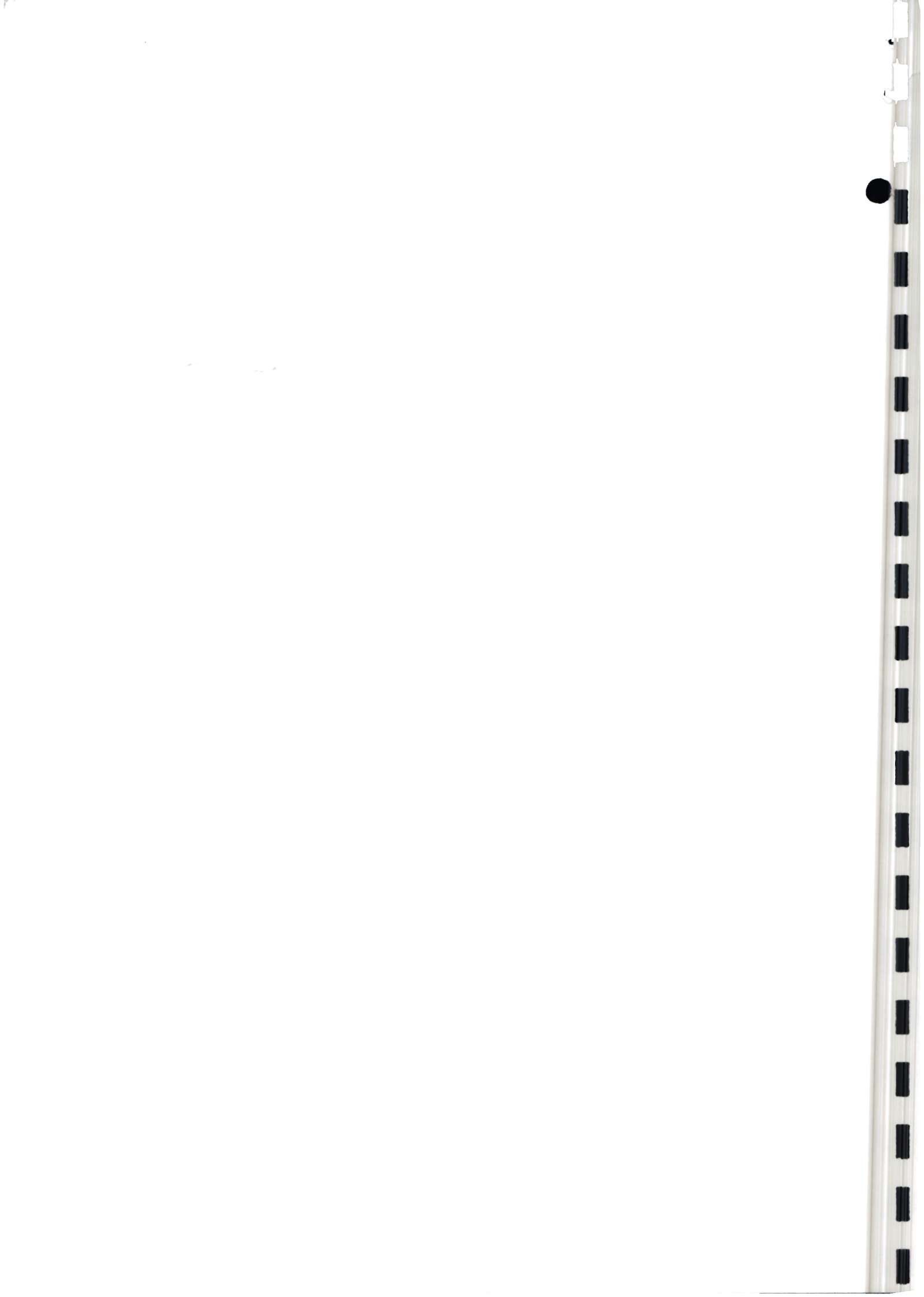
15. Explanation of Variances between budgets and  
Actual 2017-2018

	Final budget	Actual on comparable basis	%	Explanation
	2017-2018	2017-2018		
Revenue	Kshs	Kshs		
Radio Unit	1,400,000	-	100%	The cost of radio is expensive compared to other electronic media thus decline in cli
Video Unit	12,200,000	1,552,500.00	87%	This was result less of video coverage in the year and also effects of devolution
Publication Unit	13,600,000	16,478,428.00	21%	The centre was awarded to print mirra and fertiliser receipts
Training Unit	14,200,000	9,641,800.00	32%	There was training during the year
<b>Total income</b>	<b>41,400,000</b>	<b>27,672,728</b>	<b>33%</b>	
<b>Expenses</b>				
Casual labour	145,200	829,972	472%	Two support staff were deployed back in kilimo
Electricity	240,000	-	100%	The centre utilised allocation from state department of Crop
Water and sewerage charges	1,360,000	445,199	67%	The centre utilised allocation from state department of Crop
Cooking Gas	400,000	172,120	57%	The cooking of tea was centralised
Telephone Expenses	60,000	-	100%	The centre utilised allocation from state department of Crop
Internet connection	300,000	37,452	88%	The centre utilised allocation from state department of Crop
Postal and Telegrams Expenses	360,000	44,610	88%	The centre was using other means of communication
Official entertainment	144,000	-	100%	There was no provision
Daily subsistence allowance	3,113,000	1,650,890	47%	The centre utilised allocation from state department of Crop
Publishing and Printing Expenses	7,568,000	8,202,117	-8%	The centre was awarded to print mirra and fertiliser receipts
Boards Allowance	240,000	402,693	68%	The was inadequate allocation from kilimo
Supplies for broadcasting & information	1,440,000	-	100%	There was low turnout of clients who needed video coverage
Purchase of Food and ration	615,000	1,745,099	184%	There was reduction from state department of Crop
Photographic Materials	4,888,000	1,313,974	73%	There was low turnout of clients who needed video coverage
General office supplies (papers, pencils, etc)	831,000	1,665,108	100%	The was inadequate allocation from kilimo



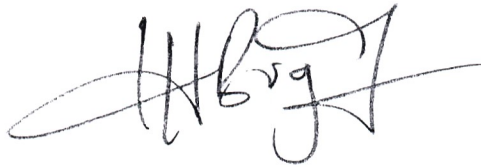
**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2018**

Sanitary and Cleaning Materials	325,800	532,738	- 64%	The centre increased products to meet clients demands
Refined Fuel and Lubricants for Transport	1,065,000	748,171	30%	The centre utilised allocation from state department of Crop
Bank charges	475,000	20,213	96%	The was less bank transaction
Fees and commission	216,000	-	100 %	The was no litigation during the year
Security Services	360000	558,000	- 55%	We hired extra guards during kakis conferences
Contracted Professional Services	1,966,000	2,660,350	- 35%	The centre had to hire professional to supplement our staff
Maintenance Expenses - motor vehicles	744,000	617,987	17%	The centre utilised allocation from state department of Crop
Maintenance of Plant, machinery and Equipment's	810,000	519,615	36%	The centre utilised allocation from state department of Crop
Maintenance of buildings and stations	2,938,000	382,102	87%	The centre utilised allocation from state department of Crop
<b>Total expenditure</b>	<b>30,604,000</b>	<b>22,548,410</b>		
<b>Surplus for the period</b>	<b>10,796,000</b>	<b>5,124,318</b>		



16. Events after the reporting period

There no material events after the reporting date



**Prof, Hamadi I Boga PhD**  
**Principal Secretary**

Date..... 3/1/19



**Gerald K. Korema**  
**Chief Accountant**

Date..... 28/12/2018

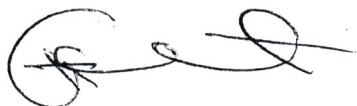


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**X. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Receivables	Clearing Debtors against payment	Chief Accountant	Resolved	31 <sup>st</sup> December 2017
2.	Inventories	Clearing of obsolete stocks	Procurement officer	Resolved	31 <sup>st</sup> December 2017
3.	Reserves	Reconciliation of old balances	Chief Accountant	Not Resolved	31 <sup>st</sup> December 2017
4.	Statement of changes in Net Assets	Reconciliation of old balances	Chief Accountant	Not Resolved	31 <sup>st</sup> December 2017
5.	Accumulated surplus	Reconciliation of old balances	Chief Accountant	Not Resolved	30 <sup>th</sup> April 2018



Gerald K. Korema  
Chief Accountant  
ICPAK MNO. 8980

Date..... 28/12/2018

