

REPUBLIC OF KENYA



16 OCT 2018

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

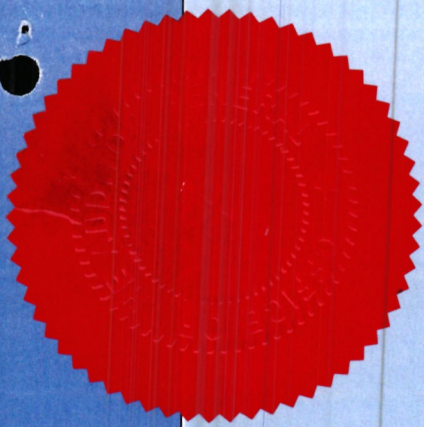
ON

REVENUE STATEMENT

FOR THE YEAR ENDED

30 JUNE 2017

STATE DEPARTMENT OF AGRICULTURE



PARLIAMENT
OF KENYA
LIBRARY

Paper Laid on the
Table of the
House by the

Leader of the
Majority Party on
Tuesday

16th October 2018.



STATE DEPARTMENT FOR AGRICULTURE

REVENUE STATEMENTS

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

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

**STATE DEPARTMENT FOR AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	3
II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES	2
III. STATEMENT OF RECEIPTS AND TRANSFERS	3
IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2017	4
V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
FOR THE PERIOD ENDED 30 JUNE 2017	5
VI. SIGNIFICANT ACCOUNTING POLICIES	6
VII. NOTES TO THE FINANCIAL STATEMENTS	8
VIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	11

STATE DEPARTMENT FOR AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The *Principal Secretary* is under the Ministry of Agriculture, Livestock and Fisheries .At cabinet level, the *Principal Secretary* is represented by the Cabinet Secretary for Agriculture ,Livestock and Fisheries who is responsible for the general policy and strategic direction of the *Principal Secretary*. The *Principal Secretary* was appointed as a receiver on 27th July 2016.

(b) Principal activities

The *Principal Secretary* collects revenue from Sale of Subsidized Fertilizer from farmers through the National Cereals and Produce Board. Revenue collected is remitted to the National Treasury in accordance with Section 81 (2) of the PFM Regulations 2015.

(c) Key Management

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

- Cabinet Secretary –Mr Willy Bett ,EGH
- Permanent Secretary-Dr. Richard Lesiyampe (PhD),CBS
- Agriculture Secretary-Ann. A. Onyango(MBS
- Engineering Secretary-Eng Jasper Nkanya,OGW

(d) Entity Headquarters

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

(e) Entity Contacts

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

(f) Independent Auditors

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

Kenya

(g) Principal Legal Adviser

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

Telephone: (254) 2227461

E-mail: info@ag.go.ke

Website: www.statelaw.go.ke

(h) Bankers

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

Telephone: (254)202861000

E-mail: comms@centralbank.go.ke

Website: www.centralbank.go.ke

STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

II. STATEMENT OF RECEIVER OF REVENUE'S RESPONSIBILITIES

Section 82 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue shall prepare an account of the revenue received and collected by that receiver during that financial year.

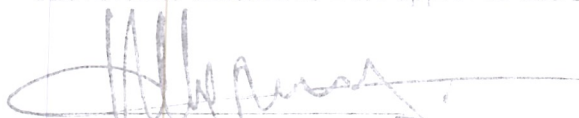
The Principal Secretary in charge of the *State Department of Agriculture* is responsible for the preparation and presentation of the *Receiver of Revenue account*, which gives a true and fair view of the state of affairs of the *Receiver of Revenue* for and as at the end of the financial year ended on June 30, 2017. 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 *State Department of Agriculture* (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary in charge of the *State Department of Agriculture* accepts responsibility for the *entity's Receiver of Revenue* accounts, 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) and relevant legal framework of the Government of Kenya. The Principal Secretary is of the opinion that the *State Department of Agriculture Revenue* account gives a true and fair view of the *State Department of Agriculture Revenue* transactions during the financial year ended June 30, 2017, and of the *entity's* financial position as at that date. The Principal Secretary in charge of *State Department of Agriculture* further confirms the completeness of the accounting records maintained for the *Receiver of Revenue*, which have been relied upon in the preparation of the *Receiver of Revenue* account as well as the adequacy of the systems of internal financial control.

The Principal Secretary in charge of the *State Department of Agriculture* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the *State Department of Agriculture* 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 Principal Secretary confirms that the *State Department of Agriculture Revenue* accounts 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 Revenue Statements

The *revenue* statements were approved and signed by the Principal Secretary on 29th September, 2017.



Principal Secretary
Name: Dr. Richard Lesiyampe (PhD)



Senior Assistant Accountant General
Name: Philip M. Gathuya
ICPAK M/N: 2501

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying State Department of Agriculture Revenue Statements set out on pages 6 to 13, which comprise the statement of arrears of revenue as at 30 June 2017, and the statement of receipts and transfers 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the revenue statements present fairly, in all material respects, the arrears of revenue as at 30 June 2017, and financial performance of the revenue of the State Department of Agriculture for the year ended 30 June 2017, in accordance with International Public Sector Accounting Standards (Cash Basis).

Further, and as required by Article 229(6) of the Constitution, based on audit tests performed and evidence obtained, except for the matters described in the Basis for Qualified Opinion section of my report, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective manner.

Basis for Qualified Opinion

1. Under-Declaration of Revenue

Records maintained at the National Cereals and Produce Board (NCPB), the agency taxed with the responsibility of selling subsidized fertilizer on behalf of the State Department of Agriculture, indicate that a total of Kshs.605,508,562 was collected on sale of the subsidized fertilizer during the year under review. However, only an amount of Kshs.439,300,200 was remitted to the State Department of Agriculture and disclosed in the revenue statements for the year ended 30 June 2017. No reconciliation or explanation has been provided for the difference of

Report of the Auditor-General on the Revenue Statements for the year ended 30 June 2017 – State Department of Agriculture

Kshs.166,208,362. In addition, no reason has been given for failure to remit to the State Department of Agriculture the balance of Kshs.166,208,362.

2. Under-Collection of Revenue

The statement of comparison of budget and actual amounts indicates that the State Department budgeted to raise Kshs.1,840,725,000 as revenue from sale of subsidized fertilizer in 2016/2017 financial year. However, out of the estimated receipts of Kshs.1,840,725,000, an amount of Kshs.439,300,000 (or about 24%) only was collected. No explanation has been given in the notes to the financial statements for failure to collect the entire estimated amount. In addition, no evidence has been provided to show that the State Department informed the Cabinet Secretary in charge of Finance as required under Regulation 64 (2) of the Public Finance Management (National Government) Regulations that, it was experiencing difficulty in collecting revenues due to the National Government.

3. Presentation of the Revenue Statements

The revenue statements pages do not flow sequentially while others have either been repeated or skipped contrary to the guidelines issued by the Public Sector Accounting Standards Board. No explanation has been provided for this omission.

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

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the State Department's ability to sustain services, disclosing, as applicable, matters

related to sustainability of services and using the going concern 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the State Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department's ability to continue 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 revenue 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 State Department to cease to continue 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 of the entity or business activities 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

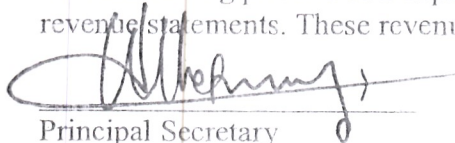
23 February 2018

STATE DEPARTMENT OF AGRICULTURE
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

III. STATEMENT OF RECEIPTS AND TRANSFERS

	Note	2016/17 Kshs	2015/16 Kshs
NON TAX RECEIPTS			
Receipts from Sale of Non Financial Assets	1	439,300,2000	-
TOTAL NON TAX RECEIPTS		439,300,2000	-
TOTAL RECEIPTS COLLECTED		439,300,2000	-
TRANSFERS TO THE EXCHEQUER ACCOUNT		(0)	(-)
BALANCE BROUGHT FORWARD		0	-
BALANCE CARRIED FORWARD	2	439,300,2000	-

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 29th September, 2017 and signed by:



Principal Secretary
 Name: Dr. Richard Lesiyampe (PhD)



Senior Assistant Accountant General
 Name: Philip M. Gathuya
 ICPAK M/No: 2501

(Ref: PFM ACT section 82,2(a))

STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

IV. STATEMENT OF ARREARS IN REVENUE AS AT 30 JUNE 2017

Classification of Revenue	Accumulated amount in arrears from prior periods to June 2015 (a)	Amount in arrears for the immediate previous year to 30 June 2016 (b)	Amount in arrears for the current year to June 30 2017 (c)	Total arrears as at 30 June 2017	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Non Tax Revenues						
Receipts from sale of non financial assets						
Total arrears	0	0	0	0	0	0



Principal Secretary
Name: Dr. Richard Lesiyampe (PhD)



Senior Assistant Accountant General
Name: Fiihip M. Gathuya
ICPAK M/No: 2501

STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
Non tax receipts					
Receipts from Sale of Non Financial Assets	1,840,725,000	-	1,840,725,000	439,300,200	1,401,424,800
Total Non tax receipts	1,840,725,000	-	1,840,725,000	439,300,200	1,401,424,800
Total receipts	1,840,725,000	-	1,840,725,000	439,300,200	1,401,424,800

(a) During the 2016-2017 FY NCPB Procured fertilizer and Sold to farmers at Subsidized Prices .The State Department of Agriculture refunded the subsidy component to NCPB hence less revenue was collected by the Ministry

(b) The State Department Generated Kshs 439,300,200.00 against a budget of KShs 1.8 Billion from Sales of Procurement of fertilizer from Women and Youth under AGPO.

(c) The State Department was officially appointed as Receiver of Revenue in FY 16/17 hence no comparative balances for FY 15/16.

STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

VI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *State Department of Agriculture*. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the *State Department of Agriculture*.

2. Recognition of Revenue

The *State Department of Agriculture* recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the *State Department of Agriculture*.

3. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the revenue statements. The revenue budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the revenue's actual performance against the comparable budget for the financial year under review has been included as part of notes to these financial statements.

4. 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.

5. Revenue in Arrears

6.

This relates to revenue due and is yet to be received or collected by the receiver of revenue. The revenue in arrears is as disclosed in the Statement of Revenue in Arrears under section IV of these financial statements.

STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Comparative Figures

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

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2017.

9. Statement of Arrears of Revenue

The statement of arrears of revenue is not a requirement as per the IPSAS Cash Standard. The IPSAS Cash Standard encourages disclosure of accrual based balances since it's a transitional standard to accrual basis of accounting. The PFM Act, 2012 section 82,2b and section 69(c) of the PFM Regulations 2015 requires a Receiver of Revenue to prepare a statement on revenue of arrears due but not yet collected at the end of the period. This statement has been disclosed under section IV of these financial statements.

**STATE DEPARTMENT OF AGRICULTURE
REVENUE STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

VII. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM SALE OF NON FINANCIAL ASSETS

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipts from the Sale of Subsidized Fertilizer	439,300,200	-
Total Revenue	439,300,200	-
Balance brought forward	-	
Transfers to the Exchequer account	-	-
Balance carried forward	439,300,200	-

During the 2016-2017 FY NCPB Procured fertilizer and Sold to farmers at Subsidized Prices. The State Department of Agriculture refunded the subsidy component to NCPB hence less revenue was collected by the Ministry.

The State Department generated Ksh.439,300,200.00 against a budget of KShs 1.8 Billion from Sales of Procurement of fertilizer from Women and Youth under AGPO.

The State Department was officially appointed as Receiver of Revenue in FY 16/17 hence no comparative balances for FY 15/16.

STATE DEPARTMENT OF AGRICULTURE
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. BALANCES CARRIED FORWARD

<u>a) Balance carried forward subsequently transferred</u>	<i>Date transferred</i>
Amount	
1,439,300,200	1 August 2017
<u>b) Balance carried forward yet to be transferred</u>	
None	

The balance carried forward of KShs 459,300,200 was subsequently transferred to the Exchequer on 1st August 2017.

APPENDIX 1: A REPORT OF WAIVERS AND VARIATIONS OF TAXES, FEES OR CHARGES GRANTED BY THE RECEIVER OF REVENUE DURING THE YEAR.

Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver	Reasons for waiver/ variation	The law in terms of which the variation was granted
N/A	N/A	N/A	N/A	N/A

(This relates to a receiver of revenue that has granted a giver/ remitter of revenue waiver or discount on the revenue to be submitted. Where no waiver has been given, state so under this statement)

(PFM ACT section 82 sub section 4, 5)

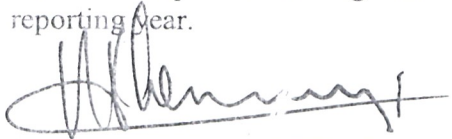
STATE DEPARTMENT OF AGRICULTURE
 REVENUE STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

VIII. 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)
N/A	N/A	N/A	N/A	N/A	N/A

The State Department of Agriculture did not have any prior year audit issues this being the first reporting year.



Principal Secretary
 Name: Dr. Richard Lesiyampe (PhD)



Senior Assistant Accountant General
 Name: Philip M. Gathuya
 ICPAK M/No: 2501