

REPUBLIC OF KENYA

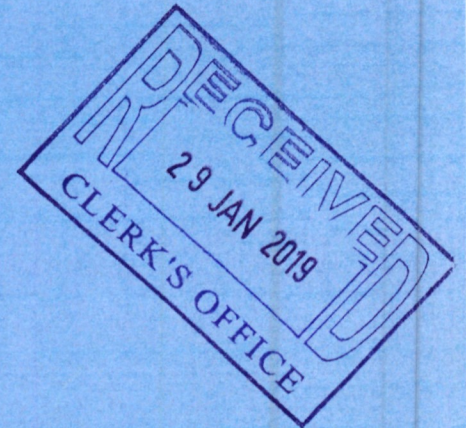


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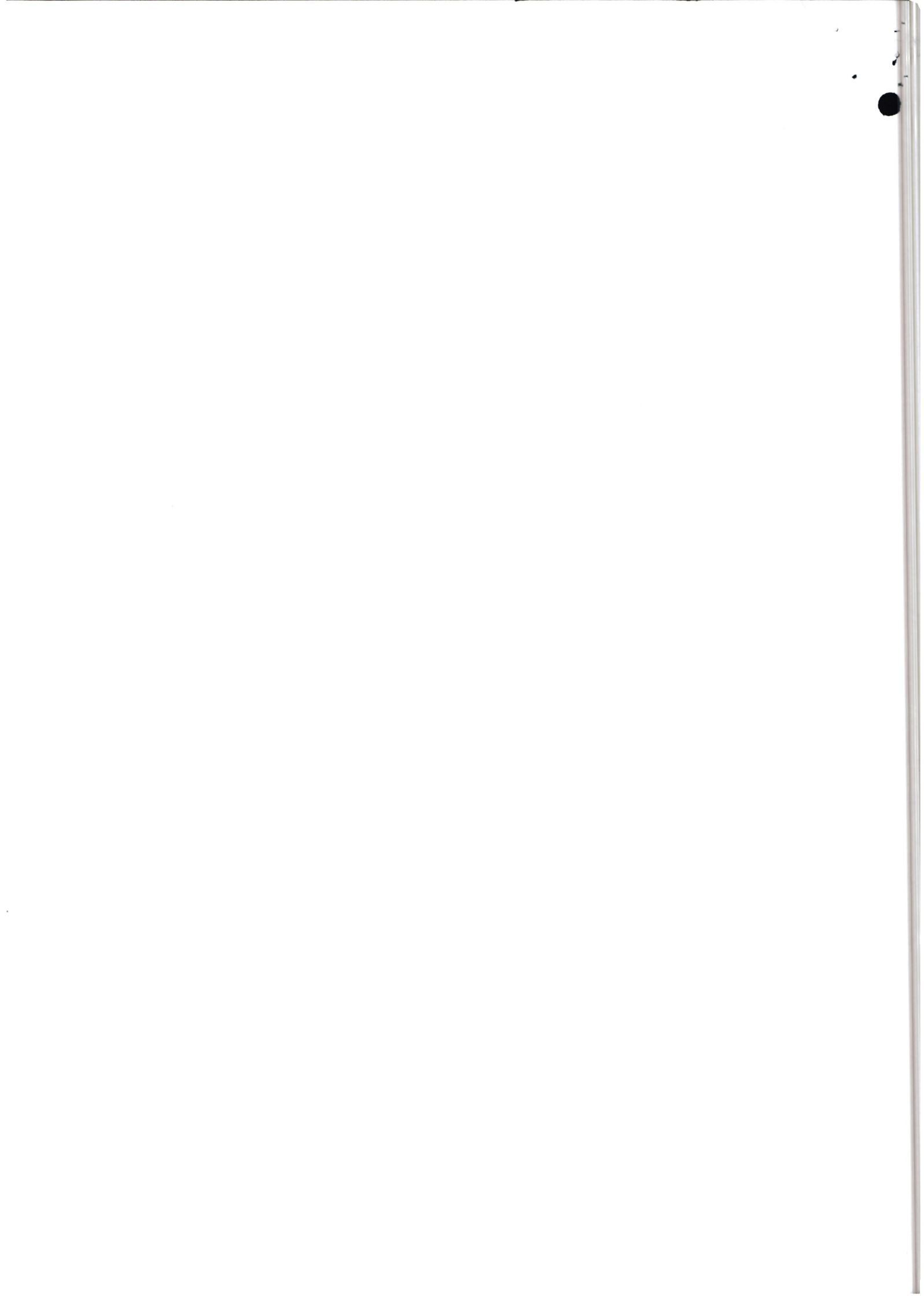
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF  
SMALL-SCALE IRRIGATION AND VALUE  
ADDITION PROJECT (ID No. P-KE-AAZ-009:  
ADF LOAN NO. 2000130014530 & GRANT NO.  
5570155000751)**

**FOR THE YEAR ENDED  
30 JUNE 2018**

**MINISTRY OF AGRICULTURE,  
LIVESTOCK, FISHERIES & IRRIGATION**





**Project Name....SMALL SCALE IRRIGATION AND VALUE ADDITION PROJECT**

**Implementing Entity....STATE DEPARTMENT FOR CROPS DEVELOPMENT**

**PROJECT GRANT/CREDIT NUMBER....5570155000751/2000130014530**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*Small scale Irrigation and Value Addition Project (SIVAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2018*

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## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The project's official name is **Small scale Irrigation and Value Addition Project (SIVAP)**.

**Objective:** The key objective of the project is **To enhance food, industrial crop and livestock production in the arid and semi-arid areas of Kenya. It also seeks to ensure equity in resource distribution and improved livelihoods for all vulnerable groups in Kenya.**

**Address:** The project headquarters offices are based at **Nairobi, Nairobi County, Kenya.**

The address of its registered office is:

**Hill Plaza Building 9<sup>th</sup> Floor, Ngong Road, opposite Milimani Law Courts.  
P.O Box 30008-00100, Nairobi, Kenya**

The project also has offices/branches as follows:

- **None**

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

Telephone: **(254) 2719013/2718870**

E-mail: **npchoa@kilimo.go.ke/npchoa1@gmail.com**

Website: **www.sivapkenya.kilimo.go.ke**

### 1.2 Project Information

Project Start Date:	The project start date is <b>1<sup>st</sup> July 2016</b>
Project End Date:	The project end date is <b>30<sup>th</sup> June 2022</b>
Project Coordinator:	The project coordinator is <b>Mr Samson Nguta</b>
Project Sponsor:	The project sponsor is <b>African Development Bank</b>

### 1.3 Project Overview

Line Ministry/State Department of the project	<b>The Project is being implemented by the State Department for Crops Development in the Ministry of Agriculture, Livestock, Fisheries and Irrigation.</b>
Project number	<b>2000130014530/5570155000751</b>
Strategic goals of the project	The strategic goals of the project are as follows: <b>(i) Supports the first Pillar (Economic) of the MTP for Vision 2030.</b> <b>(ii) Contribute to the Political and Economic stability of Kenya.</b> <b>(iii) Enhances Pillar 1 of Kenya Country Strategy Paper 2014-2018.</b>

*Small scale Irrigation and Value Addition Project (SIVAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2018*

	<p><b>(iv) Inclusive growth and transition towards green growth.</b></p> <p><b>(v) Empowerment of women and youth.</b></p>
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) <b>Invest in large multipurpose water infrastructures.</b></p> <p>(ii) <b>Improve livestock production.</b></p>
Other important background information of the project	<p><b>The Project is geared towards creating wealth and empowerment in the targeted areas.</b></p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) <b>Poverty eradication.</b></p> <p>(ii) <b>Improved crop and livestock production.</b></p>
Project duration	<p><b>The project started on 1st July 2016 and is expected to run until 30 June 2021.</b></p>

#### 1.4 Bankers

The following are the bankers for the current year:

- (i) .... **Central Bank of Kenya (C.B.K) A/C No. 1000289058**
- (ii) .... **Central Bank of Kenya (C.B.K) A/C No. 1000294868**

#### 1.5 Auditors

The project is audited by the **Office of the Auditor General (OAG).**

#### 1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Abraham Barno	SADA	Msc. Agriculture & Rural Development	Project Co-ordinator
Robert Gwadoya	Accountant	C.P.A (K) B.Com	Project Accountant
Haron Goro	PAO	Bsc. Horticulture	M&E/Horticultural Specialist
Evans Maguli	SSCMO	Dip. SCM	Project Procurement Specialist

Kennedy Makudih	Agriculture Engineer	Bsc. Agriculture Engineer	Project Engineer
Nicodemus Mwonga	Agriculture Engineer	Bsc. Agriculture Engineer	Project Engineer
Peter Mburu	PAO	Bsc. Agriculture	Field Coordinator
Rose Mwanzia	PAO	Msc. Gender & Agriculture	Gender Specialist
Adan Dahiye Maalim	PAO	Bsc. Agriculture	Environment Specialist
Benard Wanjohi	PAO	Bsc. Agriculture	ICT Specialist

### 1.7 Funding summary

The Project is for duration of six (6) years from 2016 to 2022 with an approved budget of US\$ 70.684 million equivalent to KShs 6,833,641.32 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30th June 2018)		Undrawn balance to date (30th June 2018)	
	Donor currency(USD)	KShs	Donor currency(USD)	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
Global Agriculture and Food Security Programme	22,800,000	2,320,229,520	1,061,128.00	102,585,855	21,738,872	2,217,643,66
<b>(ii) Loan</b>						
African Development Bank	39,546,000	3,823,158,192	4,007,941.96	387,472,719	35,538,058	3,435,685,47
<b>(iii) Counterpart funds</b>						
Government of Kenya	7,138,000	690,074,930	444,783.58	43,000,000	6,693,216.42	647,074,930
<b>Total</b>	<b>70,684,000</b>	<b>6,833,462,642</b>	<b>5,513,853.54</b>	<b>533,058,574</b>	<b>65,170,146.46</b>	<b>6,300,404,06</b>

**1.8 Summary of Overall Project Performance:**

The project is on course towards achieving its objectives, and that is creating wealth and empowerment in the targeted areas.

**Challenges and Way Forward**

- Slow access of funds due to inconsistency of the IFMIS platform. The project has a proposal of engaging with the National Treasury geared towards the project be allowed to operate a commercial bank account.
- Lack of counterpart funds which affects some aspects of the project. The project has already engaged the National Treasury with a view of operating its own counterpart bank account.

**1.9 Summary of Project Compliance:**

The project complied with all applicable laws and regulations, and essential external financing agreements/covenants.

## 2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on **June 30, 2018**. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

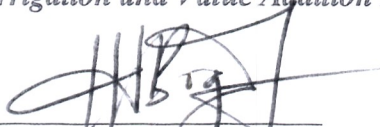
The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended **June 30, 2018**, and of the Project's financial position as at that date. The **Principal Secretary** for **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

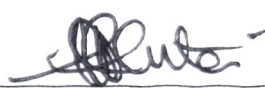
The **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

### Approval of the Project financial statements

The Project financial statements were approved by the **Principal Secretary** for the **Ministry of Agriculture, Livestock, Fisheries and Irrigation** and the **Project Coordinator** for **Small scale Irrigation and Value Addition Project** on \_\_\_\_\_ 2018 and signed by them.



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



Project Coordinator  
Name: **Samson Nguta**



Project Accountant:  
Name: **Robert Gwadoya**  
ICPAK Member Number:

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON SMALL-SCALE IRRIGATION AND VALUE ADDITION PROJECT (ID No. P-KE-AAZ-009: ADF LOAN NO. 2000130014530 & GRANT NO. 5570155000751) FOR THE YEAR ENDED 30 JUNE 2018 – MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES & IRRIGATION**

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Adverse Opinion**

I have audited the accompanying financial statements of Small-scale Irrigation and Value Addition Project set out on pages 1 to 31, which comprise the statement of financial assets as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act and Section 5.03 of the Loan Agreement No. 2000130014530 and Protocol of Agreement Grant No. 5570155000751 signed on 4 February 2016 between the Republic of Kenya and the African Development Bank. 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 Small-Scale Irrigation and Value Addition 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 (Cash Basis) and do not comply with the Loan Agreement and Protocol of Agreement for the Grant signed between the Republic of Kenya and African Development Bank and Public Finance Management Act, 2012.

In addition, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the special accounts statements do not present fairly, transactions for the year and the closing balance.

##### **Basis for Adverse Opinion**

#### **1. Differences Between Receipts as Per the Special Account Statements and Receipts as Per the Statement of Receipts and Payments**

The statement of receipts and payments reflects receipts totalling Kshs.66,218,300, made up of both foreign grants Kshs.36,437,100 and loan from external development partners

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*Report of the Auditor-General on the Financial Statements of Small-Scale Irrigation and Value Addition Project (ID No. P-KE-AAZ-009: ADF Loan No. 2000130014530 & Grant No. 5570155000751) for the year ended 30 June 2018 – Ministry of Agriculture, Livestock, Fisheries & Irrigation*

amounting to Kshs.29,781,200. However, the special account statements reflect amounts of Kshs.9,781,200 (US \$95,000) grant and Kshs.74,869,730.44 (US\$741,445.81) loan as having been withdrawn from the special accounts. No reconciliation or explanation has been provided for the difference of Kshs.18,432,630.44 between the two sets of records. Consequently, the completeness and accuracy of the receipts disclosed in these financial statements cannot be ascertained.

## 2. Payment to a Consultant Without Deducting Retention Fee

The statement of receipts and payments reflects an amount of Kshs.290,267,071 in respect of loan from external development partners that was paid directly for the acquisition of non-financial assets. Out of the total expenditure of Kshs.290,267,071, an amount of Kshs.102,501,613.60 was paid to consultants. Included in the amounts paid to consultants was an amount of Kshs.19,285,590 paid to one consultant without deducting 5% retention fee of Kshs.964,279.52 as detailed below:

CONSULTANT	Cert No.	PV Date	Amount (Kshs)	5% Retention (Kshs)
ECOSITE Dev Consultants	1	23/10/17	4,363,950.00	218,197.50
ECOSITE Dev Consultants	2	28/02/18	8,183,715.00	409,185.75
ECOSITE Dev Consultants	3	27/06/18	4,446,485.15	222,324.26
ECOSITE Dev Consultants	4	27/06/18	2,291,440.20	114,572.01
<b>Total (Kshs.)</b>			<b>19,285,590.35</b>	<b>964,279.52</b>

No explanation has been given for the above omission.

## 3. Outstanding Imprests

The statement of financial assets as at 30 June 2018 does not reflect accounts receivables and as disclosed in Note 8.14 to the financial statements. However, a review of available records revealed imprests amounting to Kshs.3,763,700 which ought to have been recovered or accounted for on or before 30 June 2018 but were still outstanding as at that date as tabulated below:

Date	Details	Amount Kshs.
13/9/17	Ann J. Kungu	498,380
30/11/17	Mercy Gitu	842,850
30/11/17	Robert Gwadoya	884,800
4/2/18	Eng. C. Musungu	488,020
24/2/18	Evans Maguli	178,400
13/3/18	Peter Mburu	250,050
25/5/18	Francis Ngacha	310,600
27/6/18	Mary N. Kabutu	310,600
<b>Totals</b>		<b><u>3,763,700</u></b>

No reason has been given for the failure to disclose the outstanding imprests in the financial statements or to account for the imprests when due.

#### **4. Cash and Cash Equivalents**

The statement of financial assets reflects a bank balance of Kshs.50,018,319.95 as at 30 June 2018. Bank reconciliation statements and supporting documentation for the year ended 30 June 2018 and bank confirmation certificate as at that date were not however provided for audit verification.

In addition, the statement of cash flows reflects cash and cash equivalents balance of Kshs.150,828,782.75 at the end of the year (30 June 2018) which differs with the corresponding balance of Kshs.50,018,319.95 shown in the statement of financial assets. The resulting difference of Kshs.100,810,462.80 has also not been explained or reconciled.

In the circumstances, the cash and cash equivalents balances of Kshs.50,018,319.95 as of 30 June 2018 can not be confirmed.

#### **5. Inaccuracies in the Financial Statements**

The statement of receipts and payments, statement of financial assets and statement of cash flows for the year ended 30 June 2018 reflects some material differences between the amounts and balances reflected in the audited financial statements for 2016/2017 and the comparative amounts and balances shown in the financial statements for 2017/2018 as highlighted below:

##### **5.1 Fund Balance Brought Forward**

The statement of financial assets as at 30 June 2018 reflects an amount of Kshs.17,174,892.95 in respect of fund balance brought forward and as disclosed in Note 8.15 to the financial statements. This amount, which is attributed to cash balances, Kshs.13,240,192.85 and outstanding imprests, Kshs.3,754,700.00, differs with the amount of Kshs.117,985,355.75 which is reflected under comparatives (2016/2017) as net financial position brought forward by Kshs.100,810,462.80. The difference has not been reconciled or explained. Consequently, the accuracy of the amount of fund balance brought forward cannot be ascertained.

## 5.2 Statement of Receipts and Payments Comparative Amounts/Figures

	Comparative Amounts/Figures for 2016/2017 as Per 2017/2018 Financial Statements Kshs	Amounts/Figures In Audited Financial Statements for 2016/2017 Kshs.	Variance Kshs.
Transfers from Government entities	20,000,000.00	23,000,000.00	3,000,000.00
Proceeds from domestic and foreign grants	77,907,426.30	2,500,000	75,407,426.30
Purchase of goods and services	30,737,070.55	26,748,108.00	3,988,962.55

## 5.3 Statement of Financial Position

	Opening Balances for 2017/2018 Kshs	Closing Balances for 2016/2017 (Audited) Kshs.	Variance Kshs.
Bank Balances	114,230,655.75	38,823,299.45	75,407,356.30
Accounts Receivables	3,754,700.00	10,743,592.55	(6,988,892.55)
<b>Totals</b>	<b><u>117,985,355.75</u></b>	<b><u>49,566,892.00</u></b>	<b><u>68,418,463.75</u></b>
Surplus	<u>117,985,355.75</u>	<u>49,566,892.00</u>	<u>68,418,463.75</u>
<b>Totals</b>	<b><u>117,985,355.75</u></b>	<b><u>49,566,892.00</u></b>	<b><u>68,418,463.75</u></b>

## 5.4 Statement of Receipts and Payments Cumulative Balances

Receipts	Opening Balances for 2017/2018 Kshs	Closing Balances for 2016/2017 (Audited) Kshs.	Variance Kshs.
Transfers from Government Entities	20,000,000.00	23,000,000.00	3,000,000.00
Proceeds from Domestic and foreign grants	77,907,426.30	2,500,000.00	75,407,426.30
Loan from external Development Partners	118,768,500.00	118,768,500.00	Nil

<b>Receipts</b>	<b>Opening Balances for 2017/2018 Kshs</b>	<b>Closing Balances for 2016/2017 (Audited) Kshs.</b>	<b>Variance Kshs.</b>
<b>Payments</b>			
Compensation of employees	3,185,000.00	3,185,000.00	Nil
Purchase of goods and services	30,737,070.55	26,748,108.00	3,988,962.55
Acquisition of non-financial assets	64,768,500.00	64,768,500.00	Nil

However, no explanatory notes for the adjustments of prior year figures and balances have been given in the notes to the financial statements for the year ended 30 June 2018. Consequently, the validity of the adjustments of the comparative figures and balances cannot be confirmed.

### **5.5 Differences Between the Ministry's Ledger and the Project's Ledger**

A review of the ledger record maintained by the Ministry of Agriculture, Livestock, Fisheries & Irrigation - State Department of Agriculture relating to the Small-Scale Irrigation and Value Addition Project(SIVAP) shows total expenditure of Kshs.47,267,004 which, however, differs with the figure of Kshs.33,374,873 recorded in the books of SIVAP as payments controlled by the Project. The resultant difference of Kshs.13,892,131 has not been explained or reconciled.

### **5.6 Statement of Comparative Budget and Actual Amounts**

The statement of receipts and payments for the year ended 30 June 2018 reflects actual total receipts and expenditure of Kshs.356,485,371.56 and Kshs.323,641,944.56 respectively, however the statement of comparative budget and actual amounts reflects nil amounts against various sub-components for both budgeted figures and the actual receipts and expenditure. The same are also not reflected and explained under Annex 1- variance explanations for comparative budget and actual amounts. Hence the statement is incomplete and thus misleading.

### **5.7 Cumulative Receipts**

The statement of receipts and payments reflects cumulative receipts totalling Kshs.573,161,297.86, while the funding summary, as described under Note 1.7. on Project Information and Overall Performance reflects an amount of Kshs.533,058,574 resulting in a difference of Kshs.40,102,723.86 between the two sets of records. No explanation or reconciliation has been provided for the difference.

## **6. Failure to Provide Accounting and Other records**

The Project management did not provide the following key information and documentation as requested by the audit team for 2017/2018 and prior year's for review and audit verification:

- a) Approved project budget
- b) Cash books and reconciliation statements
- c) Bank balance confirmation certificates
- d) Trial balance

In the circumstance, it has not been possible to verify the extent to which the Project complied with budgetary and financial controls requirements.

## **7. Non-disclosure of Pending bills**

A company was awarded a contract to supply and deliver 8 No. desktop computers valued at Kshs.1,080,000 which were delivered vide Delivery Note No.045 dated 21/6/2018 but had not been paid for as of 30 June 2018. However, the Project has not disclosed by way of notes or annexure to the financial statements as pending bills the unpaid amount of Kshs.1,080,000.

## **8. Misclassification of Assets**

The statement of receipts and payments reflects expenditure totalling Kshs.33,374,873 under purchase of goods and services, which includes an amount of Kshs.1,194,000 incurred to acquire 10 No. laptops and 18 laptop bags. However, the purchase of laptops and laptop bags was erroneously classified under purchase of goods and services: routine maintenance- vehicles and other transport equipment instead of purchase of computers, printers and other IT equipment under acquisition of non-financial assets.

## **9. Lack of Fixed Assets Register**

The Project did not maintain a fixed assets register to record details of its assets as should be the case. This is contrary to regulation 143 (1) of the Public Finance Management Act - National Government Regulations 2015, which requires the accounting officer to maintain a register of assets under his or her control or possession as prescribed by the relevant laws. In addition, contrary to the guidelines issued by the Public Sector Accounting Standards Board, the summary of fixed asset register- Annex 3 attached to the financial statements was not duly completed. In the circumstances, the existence, location and value of the Project's non-current assets can not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Small-scale Irrigation and Value Addition Project (SIVAP) 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 discussed in the Basis for Adverse Opinion and Other Matter sections, I have determined that there are no other key audit matters to communicate in my report.

### Other Matter

#### 1. Delay in Completion of Various Irrigation Schemes

A review of various Project records and field inspections of five irrigation schemes revealed delay in execution of the schemes and a possible delay in both completion and in attaining the purposes of the Project. The five irrigation schemes inspected are spread in three Counties of Murang'a, Tharaka Nithi and Bomet as detailed below:

	Project Name	Completion Status as of 30.10.18	Remarks
1	Makanyanga Irrigation Scheme in Tharaka Nithi County	60%	Revised Project end date is on 10th November 2018 from 28 July 2018
2	Kaboson Irrigation Project- in Bomet	20.55%	Revised Project end date is on 5th March 2019 from 4th September 2018. Although the Contractor M/s Surrow Transport and Construction Limited and as stipulated in Bill No. 1 Preliminaries was to procure motor vehicle for the construction supervision team, however, to date the motor vehicle has not been procured. It is not clear why the motor vehicle has not been procured and no satisfactory explanation was provided for the anomaly.
3	Rubiru Irrigation scheme is located in Murang'a County	17.40%	Revised to end by 29th December 2018 from 28 July 2018
4	Kirumi Kiamunjari Irrigation Scheme is located in Ndunguri in Tharaka Nithi	22.50%	Was to end on 1st September 2018

	<b>Project Name</b>	<b>Completion Status as of 30.10.18</b>	<b>Remarks</b>
5	The Ruungu irrigation project is located in Karocho sub location in Tharaka Nithi	60%	Revised Project end date is on 18 January 2019 from 18 July 2018

Records available indicates that the Project management had entered into a one-year contract with various contractors for the five irrigation schemes. Although the contractual period had lapsed, most of the contractors had hardly done 50% of the work. It was noted that all the contractors sought extension periods of between three to six months'. Although the extensions have been granted, it is apparent that most of them may not complete the works even after the extensions thus casting doubt on their capacity to execute the contracts.

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

### Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Adverse Opinion and Other Matter sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

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, because of the significance of the matters discussed in the Basis for conclusion on effectiveness of internal controls, risk management and governance and Basis for Adverse Opinion and Other Matter sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Project Risk Register**

The Project did not have a risk management framework, a project risk register or a risk management plan during the year under review. Consequently, the risks facing the Project were not identified, discussed, mitigated and documented. This is contrary to regulation 165 (1) of the Public Finance Management Regulations - National Government 2015, which requires the accounting officer to ensure that the national government entity develops:

- (a) risk management strategies which include fraud prevention mechanism; and
- (b) a system of risk management and internal control that builds robust business operations.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standard requires that I plan and perform the audit to obtain assurance about whether effective 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.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

As required by the African Development Fund, I report based on the audit that:

- i. The Project funds have been used in accordance with the conditions of Loan Agreement with due attention to economy, efficiency and effectiveness for the purposes for which they were provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Loan Agreement;
- iii. Goods and services financed have been procured in accordance with the Loan Agreement and the Funds' rules and procedures;
- iv. Necessary supporting documents, records and accounts have not been kept in respect of all Project activities;
- v. Adequate internal control to monitor expenditure and other financial transactions and ensure safe custody of assets do not exist; and
- vi. Ledgers and fixed assets register for the Project's assets are not maintained as required.

## **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 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 and for its assessment of the effectiveness of internal control.

In preparing the financial statements, management is responsible for assessing the Project'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 the Project's 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 Project's financial reporting process, reviewing the effectiveness of how the project 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 noncompliance. 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 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 Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project 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**


**24 December 2018**

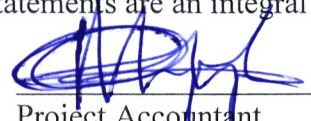
**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2018**

	Note	2017/18		2016/17		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>						
Transfer from Government entities	8.3	0.00	0.00	0.00	20,000,000	20,000,000
Proceeds from domestic and foreign grants	8.4	36,437,100	0.00	77,907,426.30	0.00	114,344,526.30
Loan from external development partners	8.5	29,781,200	290,267,071.56	54,000,000	64,768,500	438,816,771.56
Miscellaneous receipts	8.6	0.00	0.00	0.00	0.00	0.00
<b>TOTAL RECEIPTS</b>		<b>66,218,300</b>	<b>290,267,071.56</b>	<b>131,907,426.30</b>	<b>84,768,500</b>	<b>573,161,297.86</b>
<b>PAYMENTS</b>						
Compensation of employees	8.7	0.00	0.00	0.00	3,185,000	3,185,000
Purchase of goods and services	8.8	28,417,173	0.00	17,528,672.90	13,208,397.65	59,154,243.55
Social security benefits	8.9	0.00	0.00	0.00	0.00	0.00
Acquisition of non-financial assets	8.10	1,194,000	290,267,071.56	0.00	64,768,500	356,229,571.56
Transfers to other government entities	8.11	0.00	0.00	0.00	0.00	0.00
Other grants and transfers and payments	8.12	0.00	0.00	0.00	0.00	0.00
<b>TOTAL PAYMENTS</b>		<b>29,611,173</b>	<b>290,267,071.56</b>	<b>17,528,672.90</b>	<b>81,161,897.65</b>	<b>418,568,815.11</b>
<b>SURPLUS/(DEFICIT)</b>		<b>36,607,127</b>	<b>0.00</b>	<b>114,378,753.40</b>	<b>3,606,602.35</b>	<b>154,592,482.75</b>

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

  
Principal Secretary  
Name:

  
Project Coordinator  
Name:

  
Project Accountant  
Name  
ICPAK Member Number:

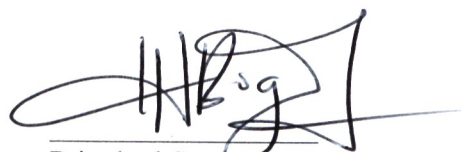
(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

*Small scale Irrigation and Value Addition Project (SIVAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2018*

**5. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2018**

	Note	2017/18	2016/17
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalentents</b>			
Bank Balances	8.13.A	50,018,319.95	114,230,655.75
Cash Balances	8.13.B	0.00	0.00
Cash Equivalentents (short-term deposits)	8.13.C	0.00	0.00
<b>Total Cash and Cash Equivalentents</b>		<b>50,018,319.95</b>	<b>114,230,655.75</b>
Accounts receivables – Imprest and Advances	8.14	3,763,700	3,754,700.00
<b>TOTAL FINANCIAL ASSETS</b>		<b>53,782,019.95</b>	<b>117,985,355.75</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	8.15	17,174,892.95	0.00
Prior year adjustments	8.16	0.00	0.00
Surplus/(Deficit) for the year		36,607,127.00	117,985,355.75
<b>NET FINANCIAL POSITION</b>		<b>53,782,019.95</b>	<b>117,985,355.75</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2018 and signed by:



Principal Secretary  
Date



Project Coordinator  
Date



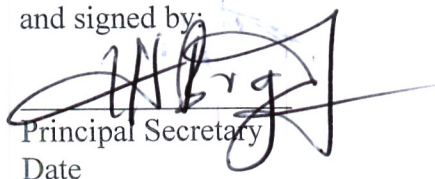
Project Accountant  
Date


ICPAK Member Number:

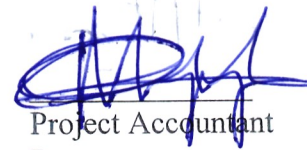
## 6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2018

		2017/18	2016/17
	Note	KShs	KShs
<b>Receipts for operating activities</b>			
Transfer from Government entities	8.3	0.00	20,000,000.00
Proceeds from domestic and foreign grants	8.4	36,437,100.00	77,907,426.30
Miscellaneous receipts	8.6	0.00	0.00
<b>Payments for operating activities</b>			
Compensation of employees	8.7	0.00	3,185,000.00
Purchase of goods and services	8.8	28,417,173.00	30,737,070.55
Social security benefits	8.9	0.00	0.00
Transfers to other government entities	8.11	0.00	0.00
Other grants and transfers	8.12	0.00	0.00
<b>Adjusted for:</b>			
Change in Imprests & Advances		3,763,700.00	
Adjustments during the year	8.16	0.00	0.00
<b>Net cash flow from operating activities</b>		<b>4,256,227.00</b>	<b>63,985,355.75</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8.10	291,461,071.56	64,768,500.00
<b>Net cash flows from Investing Activities</b>		<b>(291,461,071.56)</b>	<b>(64,768,500.00)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	8.5	320,048,271.56	118,768,500.00
<b>Net cash flow from financing activities</b>		<b>320,048,271.56</b>	<b>118,768,500.00</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>			
		<b>32,843,427.00</b>	<b>117,985,355.75</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>17,174,892.95</b>	<b>0.00</b>
<b>Cash and cash equivalent at END of the year</b>		<b>50,018,319.95</b>	<b>117,985,355.75</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2018 and signed by:

  
Principal Secretary  
Date

  
Project Coordinator  
Date

  
Project Accountant  
Date

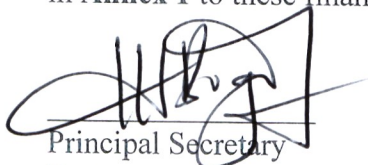
*Small scale Irrigation and Value Addition Project (SIVAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2018*

ICPAK Member No:


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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	23,000,000	(11,094,023)	11,905,977	11,126,825	779,152	93.45%
Proceeds from domestic and foreign grants	98,617,000	(48,000,000)	50,617,000	36,437,100	14,179,900	71.98%
Proceeds from borrowings	60,629,294	(10,629,294)	50,000,000	29,781,200	20,218,800	59.56%
Miscellaneous receipts	0.00	0.00	0.00	0.00	0.00	0.00%
<b>Total Receipts</b>	<b>182,246,294</b>	<b>(69,723,317)</b>	<b>112,522,977</b>	<b>77,345,125</b>		
<b>Payments</b>						
Compensation of employees	12,512,000	(1,790,878)	10,721,122	10,721,122	0.00	100%
Purchase of goods and services	159,246,369	(58,629,369)	100,617,000	33,780,576	66,836,424	33.57%
Social security benefits	0.00	0.00	0.00	0.00	0.00	0.00%
Acquisition of non-financial assets	863,281,357	(475,559,079)	387,722,278	290,267,071.56	97,455,206.44	74.86%
Transfers to other government entities	0.00	0.00	0.00	0.00	0.00	0.00%
Other grants and transfers	0.00	0.00	0.00	0.00	0.00	0.00%
<b>Total Payments</b>	<b>1,035,039,726</b>	<b>(535,979,326)</b>	<b>499,060,400</b>	<b>334,768,769.56</b>		

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

  
Principal Secretary  
Date

  
Project Coordinator  
Date

  
Project Accountant  
Date  
ICPAK Member No:

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

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

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

#### **8.1.1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

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

The accounting policies adopted have been consistently applied to all the years presented.

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

The financial statements are for the Small scale Irrigation and Value Addition Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

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

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

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

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

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

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

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

##### **• External Assistance**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donations and grants**

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

**Proceeds from borrowing**

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

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

• **Other receipts**

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

**b) Recognition of payments**

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

- **Acquisition of fixed assets**

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

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

**c) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**d) Cash and cash equivalents**

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

**Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

### **f) Pending bills**

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

### **g) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entirety transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

### **h) Third party payments**

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

During the year Kshs 290,267,071.56 billion being loan disbursements were received in form of direct payments from third parties.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2018.

**l) Errors**

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

*Small scale Irrigation and Value Addition Project (SIVAP)*  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2018*

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

**8.3. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2017/18	2016/17	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through Ministry xxx</i>			
Counterpart funds Quarter 1	0.00	10,000,000	10,000,000
Counterpart funds Quarter 2	0.00	0.00	10,000,000
Counterpart funds Quarter 3	0.00	0.00	10,000,000
Counterpart funds Quarter 4	0.00	10,000,000	20,000,000
	<b><u>0.00</u></b>	<b><u>20,000,000</u></b>	<b><u>20,000,000</u></b>
<i>Other transfers from government entities</i>			
Ministry xx			
Ministry xy			
Project zxy			
Agency xz			
	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>
Appropriations-in-Aid	0.00	0.00	0.00
Total	<b><u>0.00</u></b>	<b><u>20,000,000</u></b>	<b><u>20,000,000</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2018 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in KShs	
						FY 2017/18	FY 2016/17
		USD	KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Multilateral Donors (International Organisations)</b>							
African Development Bank	2017/18	360,763	36,437,100	0		36,437,100	77,907,426.30
<b>Total</b>						<b>36,437,100</b>	<b>77,907,426.30</b>

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

*Small scale Irrigation and Value Addition Project (SIVAP)  
Reports and Financial Statements  
For the financial year ended June 30, 2018*

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

**8.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2018 we received funding from development partners in form of negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount KShs	
		USD	KShs	KShs	FY17/18	FY16/17
<b>Loans Received from Multilateral Donors (International Organisations)</b>						
African Development Bank	2017/18	2,970,775	29,781,200	290,267,071.56	320,048,271.56	118,765,000
<b>Total</b>						

**8.6. MISCELLANEOUS RECEIPTS**

	FY 2017/18			FY 2016/17	Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Property income	0.00	0.00	0.00	0.00	0.00
Sales of goods and services	0.00	0.00	0.00	0.00	0.00
Administrative fees and charges	0.00	0.00	0.00	0.00	0.00
Fines, penalties and forfeitures	0.00	0.00	0.00	0.00	0.00
Voluntary transfers other than grants	0.00	0.00	0.00	0.00	0.00
Other receipts not classified elsewhere	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

*[Provide explanation as necessary]*

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

**8.7. COMPENSATION OF EMPLOYEES**

	FY 2017/18			FY 2016/17	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	0.00	0.00	0.00	0.00	0.00
Basic wages of temporary employees	0.00	0.00	0.00	0.00	0.00
Personal allowances paid as part of salary	0.00	0.00	0.00	3,185,000	3,185,000
Personal allowances paid as reimbursements	0.00	0.00	0.00	0.00	0.00
Personal allowances provided in kind	0.00	0.00	0.00	0.00	0.00
Pension and other social security contributions	0.00	0.00	0.00	0.00	0.00
Compulsory national social security schemes	0.00	0.00	0.00	0.00	0.00
Compulsory national health insurance schemes	0.00	0.00	0.00	0.00	0.00
Social benefit schemes outside government	0.00	0.00	0.00	0.00	0.00
Other personnel payments	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>3,185,000</u></b>	<b><u>3,185,000</u></b>

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

**8.8. PURCHASE OF GOODS AND SERVICES**

	FY 2017/18			FY 2017/16	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	597,080	0	597,080	70,000	667,080
Communication, supplies and services	452,000	0	452,000	1,299,000	1,751,000
Domestic travel and subsistence	22,373,923	0	22,373,923	24,326,787.55	46,700,710.55
Foreign travel and subsistence	0	0	0	0	0
Printing, advertising and – information supplies & services	0	0	0	1,664,998	1,664,998
Rentals of produced assets	0	0	0	0	0
Training payments	8,694,270	0	8,694,270	1,342,770	10,037,040
Hospitality supplies and services	63,600	0	63,600	212,330	275,930
Insurance costs	0	0	0	0	0
Specialised materials and services	0	0	0	0	0
Other operating payments	0	0	0	729,468	729,468
Routine maintenance – vehicles and other transport equipment	0	0	0	1,091,717	1,091,717
Routine maintenance- – other assets	0	0	0	0	0
Exchange rate losses/gains (net)	0	0	0	0	0
<b>Total</b>	<b><u>32,180,873</u></b>	<b><u>0</u></b>	<b><u>32,180,873</u></b>	<b><u>30,737,070.55</u></b>	<b><u>62,917,943.55</u></b>

*[Provide explanation as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8.9. SOCIAL SECURITY BENEFITS

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	0.00	0.00	0.00	0.00	0.00
Social security benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
Employer social benefits in cash and in kind	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

[Provide explanation as necessary]

## 8.10. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	0.00	0.00	0.00	0.00	0.00
Construction of buildings	0.00	0.00	0.00	0.00	0.00
Refurbishment of buildings	0.00	0.00	0.00	0.00	0.00
Construction of roads	0.00	0.00	0.00	0.00	0.00
Construction of civil works	0.00	187,765,457.97	187,765,457.97	64,768,500	252,533,957.97
Overhaul & refurbishment of construction and civil works	0.00	0.00	0.00	0.00	0.00
Purchase of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00
Overhaul of vehicles & other transport equipment	0.00	0.00	0.00	0.00	0.00

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Purchase of computers, printers and other IT equipment	1,194,000	0.00	1,194,000	0.00	1,194,000
Purchase of office furniture & general equipment	0.00	0.00	0.00	0.00	0
Purchase of specialised plant, equipment and machinery	0.00	0.00	0.00	0.00	0
Rehabilitation & renovation of plant, equipment & machinery	0.00	0.00	0.00	0.00	0.0
Purchase of certified seeds, breeding stock and live animals	0.00	0.00	0.00	0.00	0.
Research, studies, project preparation, design & supervision	0.00	102,501,613.59	102,501,613.59	0.00	102,501,613.59
Rehabilitation of civil works	0.00	0.00	0.00	0.00	0
Acquisition of strategic stocks	0.00	0.00	0.00	0.00	0
Acquisition of land	0.00	0.00	0.00	0.00	0.0
Acquisition of other intangible assets	0.00	0.00	0.00	0.00	0.
<b>Total</b>	<b><u>1,194,000</u></b>	<b><u>290,267,071.56</u></b>	<b><u>290,267,071.56</u></b>	<b><u>64,768,500</u></b>	<b><u>356,229,571.56</u></b>

*[Provide explanation as necessary]*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2018, we transferred funds to reporting government entities as shown below:

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Ministry ABC	0.00	0.00	0.00	0.00	0.00
Project XYZ	0.00	0.00	0.00	0.00	0.00
	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Transfers to County Government</b>					
County ABC	0.00	0.00	0.00	0.00	0.00
County XYZ	0.00	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

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

**8.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	FY 2017/18			FY 2016/17	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0.00	0.00	0.00	0.00	0.00
Transfers to lower levels of government e.g schools	0.00	0.00	0.00	0.00	0.00
Miscellaneous payments	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

*[Provide explanation as necessary]*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2017/18	2016/17
	KShs	KShs
Bank accounts (Note 8.13A)	50,018,319.95	114,230,655.75
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
<b>Total</b>	<b><u>50,018,319.95</u></b>	<b><u>114,230,655.75</u></b>

The project has 1 number of project accounts spread within the project implementation area and 0 number of foreign currency designated accounts managed by the National Treasury as listed below:

## 8.13. A Bank Accounts

## Project Bank Accounts

	2017/18	2016/17
	KShs	KShs
<b><u>Local Currency Accounts</u></b>		
Central Bank of Kenya [A/c No. 1000289058]	1,499.95	37,757,316.45
Central Bank of Kenya [A/c No. 1000294868]	16,820.00	65,913.00
Central Bank of Kenya [A/c No. 1000297239]	30,000,000.00	75,407,426.30
Central Bank of Kenya [A/c No. 1000289918]	20,000,000.00	
<b>Total local currency balances</b>	<b><u>50,018,319.95</u></b>	<b><u>114,230,655.75</u></b>
<b>Total bank account balances</b>	<b><u>50,018,319.95</u></b>	<b><u>114,230,655.75</u></b>

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**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2018 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

**Special Deposit Accounts Movement Schedule**

	2017/18	2016/17
	KShs	KShs
<b>(i) A/C Name [A/c No.....]</b>		
Opening balance	0.00	0.00
Total amount deposited in the account	0.00	0.00
Total amount withdrawn (as per Statement of Receipts & Payments)	0.00	0.00
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>0.00</b>	<b>0.00</b>
<b>(ii) A/c Name [A/c No.....]</b>		
Opening balance (as per the SDA reconciliation)	0.00	0.00
Total amount deposited in the account	0.00	0.00
Total amount withdrawn (as per Statement of Receipts & Payments)	0.00	0.00
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>0.00</b>	<b>0.00</b>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix xx* support these closing balances.

**8.13. B Cash In Hand**

	2017/18	2016/17
	KShs	KShs
Location 1	0.00	0.00
Location 2	0.00	0.00
Location 3	0.00	0.00
Other locations ( <i>specify</i> )	0.00	0.00
<b>Total cash balances</b>	<b>0.00</b>	<b>0.00</b>

[Provide a cash count certificate for each location above]

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 8.13. C Cash equivalents (short-term deposits)

	2017/18	2016/17
	KShs	KShs
Kenya Commercial Bank [A/C No.....]	0.00	0.00
Co-Operative Bank of Kenya [A/C No.....]	0.00	0.00
Others ( <i>Specify</i> )	0.00	0.00
<b>Total</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

[Provide short appropriate explanations as necessary]

## 8.14. OUTSTANDING IMPRESTS AND ADVANCES

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2018	Balance 2017
Ann J. Kungu	498,380				
Mercy Gitu	842,850				
Robert Gwadoya	884,800				
Calvin Musungu	488,020				
Evans Maguli	178,400				
Peter Mburu	250,050				
Francis Ngacha	310,600				
Mary Kabutu	310,600				
<b>Total</b>	<b><u>3,763,700</u></b>				

## 8.15. FUND BALANCE BROUGHT FORWARD

	2017/18	2016/17
	KShs	KShs
Bank accounts	13,420,192.95	0.00
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	0.00	0.00
Outstanding imprests and advances	3,754,700.00	0.00
<b>Total</b>	<b><u>17,174,892.95</u></b>	<b><u>0.00</u></b>

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

**8.16. PRIOR YEAR ADJUSTMENT**

	<b>2017/18</b>	<b>2016/17</b>
	<b>KShs</b>	<b>KShs</b>
Bank accounts	0.00	0.00
Cash in hand	0.00	0.00
Cash equivalents (short-term deposits)	0.00	0.00
Receivables - Outstanding Imprests	0.00	0.00
<b>Total</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>

*[Provide short appropriate explanations as necessary]*

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**9. OTHER IMPORTANT DISCLOSURES**

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

	2017/18	2016/17
	KShs	KShs
Construction of buildings	0.00	0.00
Construction of civil works	0.00	0.00
Supply of goods	1,080,000	0.00
Supply of services	0.00	0.00
	<b>0.00</b>	<b>0.00</b>

**9.2 PENDING STAFF PAYABLES (See Annex 2B)**

	2017/18	2016/17
	KShs	KShs
Permanent employees - management	0.00	0.00
Permanent employees - others	0.00	0.00
Temporary employees	0.00	0.00
Others ( <i>specify</i> )	0.00	0.00
	<b>0.00</b>	<b>0.00</b>

**9.3 OTHER PENDING PAYABLES (See Annex 2C)**

	2017/18	2016/17
	KShs	KShs
Amounts due to National Government entities	0.00	0.00
Amounts due to County Government entities	0.00	0.00
Amounts due to third parties	0.00	0.00
Others ( <i>specify</i> )	0.00	0.00
	<b>0.00</b>	<b>0.00</b>

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**10. 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)
SIVAP/2017/(1)	The statement of receipts and payments reflects an amount of Kshs. 23,000,000.00 being receipts from Government entities. The receipts have not however, been supported by verifiable documents.	The counterpart fund which is receipts from the government of Kenya is deposited in the Ministry's Pool Account, and as such the bank statement cannot indicate the exact figure received.	Robert Mugodo Gwadoya Chief Accountant	Not Resolved	The Ministry through the Head of Accounting Unit is trying to resolve the issue by requesting National Treasury to open a separate bank account for project under the counterpart funding.
SIVAP/2017/(1)	The amount of Kshs. 23,000,000.00 reflected in the statement of receipts and payments as transfers from Government entities differs by an amount of Kshs. 3,000,000.00 from the figure of kshs. 20,000,000.00 shown against the	An amended financial statement indicates kshs. 20,000,000.00 as receipts from government of Kenya and verified from the 2016/2017 printed estimates	Robert Mugodo Gwadoya Chief Accountant	Resolved	The issue has already been resolved.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolve / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	item in the trial balance.				
SIVAP/2017/(1)	Variances between the financial statements and trial balance	An amended financial statement was prepared which reconciles the financial statement and the trial balance.	Robert Mugodo Gwadoya Chief Accountant	Resolved	The issue has already been resolved.
SIVAP/2017/(1)	The statement of financial assets and liabilities reflects a cash and cash equivalent balance of Kshs. 38,823,299 which differs from the balance of Kshs. 37,345,790 reflected in the bank reconciliation.	The project operates two bank accounts, one for revenue component and the other for grant component. Balance for loan account was Kshs. 37,757,316.45 and grant account was Kshs. 65,913.00 Bringing to a total of Kshs. 38,823,299.45	Robert Mugodo Gwadoya Chief Accountant	Resolved	The issue has already been resolved.

**Guidance Notes:**


- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;

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- (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

  
\_\_\_\_\_  
Project Coordinator

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities					
Proceeds from domestic and foreign grants					
Proceeds from borrowings					
Miscellaneous receipts					
<b>Total Receipts</b>					
<b>Payments</b>					
Compensation of employees					
Purchase of goods and services					
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities					
Other grants and transfers					
<b>Total payments</b>					

*Explain all variance below 90% and above 100%*

- (i) Xxx
- (ii) Xxx
- (iii) Xxx

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**ANNEX 2A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
<b>Construction of buildings</b>						
1.						
2.						
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of goods</b>						
7. Finepad Computers	1,080,000	21/06/2017	0.00	1,080,000		
8.						
9.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>						

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**ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS**

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

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**ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES**

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2018	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.							
2.							
3.							
Sub-Total							
<b>Amounts due to County Govt Entities</b>							
4.							
5.							
6.							
Sub-Total							
<b>Amounts due to Third Parties</b>							
7.							
8.							
9.							
Sub-Total							
<b>Others (specify)</b>							
10.							
11.							
12.							
Sub-Total							
Grand Total							

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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (KShs) 2017/18 (a)	* Purchases/Additions in the Year (KShs) 2017/18 (b)	** Disposals in the Year (KShs) 2017/18 (c)	Closing Cost (KShs) 2018 (d) = (a) + (b) - (c)
Land				
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets				
Other Machinery and Equipment				
Heritage and cultural assets				
Intangible assets				
<b>Total</b>				

Notes

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

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

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**APPENDICES**

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