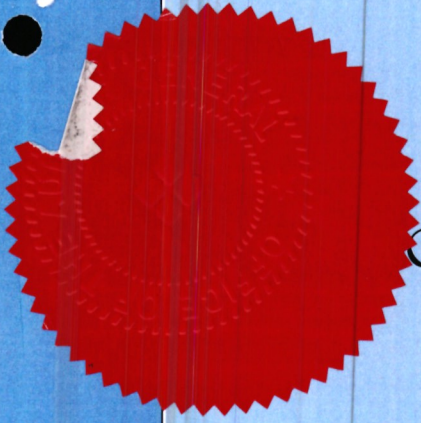


REPUBLIC OF KENYA



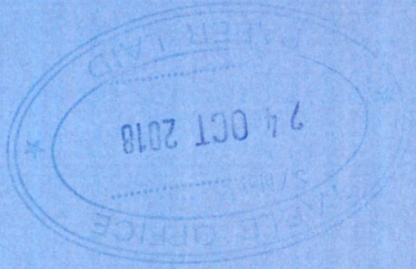
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REPORT

OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STRATEGIC GRAIN RESERVE FUND**

**FOR THE YEAR ENDED
30 JUNE 2017**



STRATEGIC GRAIN RESERVE FUND

REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Strategic Grain Reserve (SGR) was established in 2002 under the legal Notice No. 55 of 2002. The main purpose was to cushion farmers from the effect of over-supply in periods of good weather and to provide a first line of defense for coping with food deficits. The reserve was mandated to maintain a physical stock of 4 million bags of maize and a cash equivalent of a similar volume. The mix of grain and cash ensures that on the one hand the Government was able to save lives in the case of an emergency by mobilizing food to areas not well served by grain markets. On the other hand, cash reserves allowed the government to purchase the commodity in areas with well-functioning markets when an emergency occurs. It has since 2015 changed from Strategic Grain Reserve Trust Fund to Strategic Food Reserve Trust Fund through the legal notice No. 15 of February 2015. Other food commodities besides maize have been incorporated into the Reserve. This includes; rice, beans, powder milk, fish and canned beef. The management of the fund has also changed from the former Board of Trustees to Strategic Food Reserve Oversight Board. This expanded the former SGR Trustees to include four independent members a Chairman.

b) The purpose of the strategic food reserve

The objective and purpose for which the strategic food reserve was established is to provide a strategic food reserve in physical stock and cash equivalent to stabilize the food supply and prices in the country.

c) Key management of the reserve

The reserve is managed by an Oversight Board which comprise of Principal Secretaries; State Department of Special Programmes, The National Treasury, Ministry of Interior and National Coordination and State Department of Agriculture and four independent Board members. Since a Chairperson has not yet been appointed by the President, the independent members chair the meetings on a rotational basis. The National Cereals and Produce Board (NCPB) is the Agent mandated to store and manage the maize stocks while New KCC stores and manage the milk powder on behalf of the Government.

d) Fiduciary management

The management of the reserve was under the following members of the Oversight Board:

1. Dr. Eng. Karanja Kibicho – Principal Secretary - Interior
2. Josepheta Mukobe - Principal Secretary – Special Programmes
3. Dr. Kamau Thugge – Principal Secretary, The National Treasury
4. Dr. Richard L. Lesiyampe – Principal Secretary, State Department of Agriculture
5. Gerald Masila – Board Member
6. Lucas Chepkitony – Board Member
7. Abass Maalim – Board Member
8. Susan Mukiri – Board Member

The Principal Secretary, State Department Agriculture was the accounting officer for the reserve during the financial year ended 30th June 2016.

**STRATEGIC GRAIN RESERVE FUND
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FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

e) Fiduciary oversight arrangements

- The Oversight Board was the overall decision making organ on the management of the reserves while the National Cereals and Produce Board (NCPB) was the agent managing the stocks of the strategic food reserve under a mutually agreed agency agreement. The NCPB was to procure and maintain the maize stocks while New KCC was procuring and storing the milk powder on behalf of the government.
- The reserve had a technical team referred to Strategic Food Reserve Oversight Board Secretariat which was offering technical advice to the Oversight Board. This team carried out the monitoring and supervision of the management of the strategic food reserve stocks and made recommendations to the Oversight Board for decision making.
- The auditor general reviews the financial statements of the reserve and lends an opinion on the state of affairs. In addition he reviews the internal control through systems audit and advice on the adequacy of the internal control systems in place.
- Parliamentary committee on agriculture- interested on the role of the reserve in the national food security assurance to the Kenyan population all-round the year.

(a) Strategic Grain Reserve Fund Headquarters

Kilimo house
Cathedral Road
P.o Box 30028-001000
Nairobi. , KENYA.

(b) Bankers

The central Bank of Kenya
Nairobi, Kenya

(c) Independent Auditors

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

(d) Principal Legal Advisor

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

II. THE BOARD OF TRUSTEES



Dr. Kamau Thugge –Principal Secretary, The National Treasury

He holds MA and BA degrees in Economics (University of Nairobi). Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado Collage, USA, Master in Economics from Johns Hopkins University, USA and a Doctor of Philosophy (PhD) in Economics from Johns Hopkins University, USA. He served as a Director of Kenya Reinsurance Corporation Ltd.

He worked as a Senior Economic Advisor in the Ministry of Finance from the year 2010. He also worked at the International Monetary Fund (IMF) in various capacities for over 21 years in both the policy making and non-policy making Departments as Economist/Senior Economist and Deputy Division Chief. He served as Head of the Fiscal and Monetary Affairs Department, Treasury from 2004 to 2005, and the Economic Secretary and Head of Economic Affairs Department from 2005 to 2008. Dr. Thugge represented the Permanent Secretary, Finance on the Boards of the Central Bank of Kenya, Monetary Policy Committee of the Central Bank of Kenya, Kenya Revenue Authority and the Capital Markets Authorities. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within and abroad. He has been a Director of East African Development Bank since June 27, 2013. He serves as a Non-Executive Director of Kenya Airways Ltd. He served as a Director of The Kenya Power and Lighting Company Limited since August 2, 2013.



Josepheta Mukobe - Principal Secretary , Special Programmes



Josepheta Oyiela Mukobe is the Principal Secretary for the State Department of Special Programmes – Ministry of Devolution and Planning. Prior to this, she was the Principal Secretary for the State Department of Coordination – Ministry of Interior and Coordination of National Government and former Deputy Director Human Resource Management, Office of the Prime Minister, Ministry of State for Planning, National Development and Vision 2030.

She has held other positions and sits in various Boards Committees. She has broad knowledge and experience in employment law, compensation, organizational planning and development, employee relations and Human Resource.

She has been the Vice Chair of Kenya Society for Physically Disabled, The Secretary General, United Disabled Persons of Kenya, Founder Member of Women Challenged to Challenge and also Founder member of Disability, Women Initiative and Development Strategies.

She holds Masters of Science in Human Resource Management from Manchester University (UK) and Bachelor of Arts Degree in Humanities and Social Sciences from the University of Nairobi –

**STRATEGIC GRAIN RESERVE FUND
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

 <p>Dr. Eng. Karanja Kibicho – Principal Secretary – State Department of Interior</p>	<p>Kenya.</p> <p>Dr. Eng. Karanja Kibicho (CBS) is the Principal Secretary State Department of Interior in the Ministry of Interior and Coordination of the National Government. Before the current appointment, he served as the Principal Secretary in the Ministry of Foreign Affairs and International Trade and also Permanent Secretary in the Ministry of Industrialization.</p> <p>He holds a Doctorate in Mechanical Engineering from the University of Cape Town, South Africa, a Masters of Science (MSc) degree in Mechanical Engineering and a Bachelor of Science (BSc) in Mechanical Engineering. Dr. Kibicho has taught in various institutions of higher learning in Kenya and outside the country. They include Jomo Kenyatta University of Agriculture and Technology (JKUAT) where he served as the Chairman and Senior Lecturer in the Department of Mechanical Engineering. He has served as an external examiner at the University of Dar es Salaam, visiting lecturer at the Central University of Technology, Free State, South Africa and a part-time Lecturer at the University of Cape Town.</p>
 <p>Dr. Richard L. Lesiyampe – Principal Secretary, State Department of Agriculture</p>	<p>Dr. Richard Leresian Lesiyampe, the Principal Secretary, State Department Agriculture. Prior to this, he was the Principal Secretary, State Department of Environment and Natural Resources.</p> <p>Formerly, he was the Chief Executive Officer of Kenyatta National Hospital, where he provided transformational leadership in the management of hospital resources and creating an enabling environment for employees to unleash their potential in the provision of effective, efficient and sustainable quality service delivery to clients in tandem with expectations of Vision 2013 and beyond.</p> <p>He holds a Doctoral Degree attained from the Kenya Methodist University. He also holds a MBA degree from the University of Nairobi with a bias in Strategic Human Resource Management.</p>

III. STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Trustees to prepare financial statements in respect of the Strategic Grain Reserve Fund, which give a true and fair view of the state of affairs of the Strategic Grain Reserve Fund at the end of the financial year/period and the operating results of the Strategic Grain Reserve Fund for that year/period. The Trustees are also required to ensure that the Strategic Grain Reserve Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Trustees are also responsible for safeguarding the assets of the Strategic Grain Reserve Fund.

The Trustees are responsible for the preparation and presentation of the Strategic Grain Reserve Fund's financial statements, which give a true and fair view of the state of affairs of the Strategic Grain Reserve Fund for and as at the end of the financial year (period) 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 Kenya Citizens and Foreign Nationals Management Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Strategic Grain Reserve Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Trustees are of the opinion that the Strategic Grain Reserve Fund's financial statements give a true and fair view of the state of Kenya Citizens and Foreign Nationals Management Fund's transactions during the financial year ended June 30, 2017, and of the Strategic Grain Reserve Fund's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Strategic Grain Reserve Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the Strategic Grain Reserve Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**STRATEGIC GRAIN RESERVE FUND
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IV. PRINCIPAL SECRETARY STATEMENT

It gives me great pleasure to submit the annual report and financial of the Strategic Food Reserve for the year ended 30th June 2017 on behalf of the Strategic Food Reserve Oversight Board.

The government of Kenya acknowledges the need for food security in the country for social and economic stability of the nation. To this effect the government has made an effort to maintain adequate maize stocks throughout the year to ensure food availability to the Kenyan population.

The establishment and maintenance of Strategic Food Reserves, stems from the events of the early 1970s when a prolonged drought which was compounded by a simultaneous world-wide cereal shortage led to prices rising to record levels. With limited availability and high prices, the donor community was only able to provide limited amounts of food aid with the result that many people in the region experienced famine. The effects of these events were also felt in many other countries in Sub-Saharan Africa, Kenya included which, because of scarcity and cost, had difficulty in making adequate provision for needed imports to supplement their own shortfalls in production.

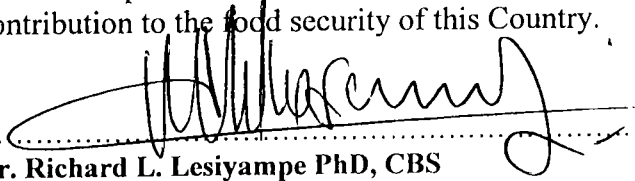
To reduce the severity of such events in future, Kenya established the National Strategic Grain Reserve (SGR) whose stock is procured, stored and maintained by the National Cereals and Produce Board as the Agent of the Government. The stocks are meant to; provide emergency food assistance to transitory food insecure, assist producers secure a minimum price for their produce at harvest time and to provide domestic consumers price support (market intervention) to procure food at affordable price.

During the year, 2015/16, the Grain Reserve diversified on the commodities to be stored for the strategic reserve purposes and was renamed **Strategic Food Reserve**. The other food commodities incorporated into the reserve include; rice, beans, milk powder, fish and canned beef as per legal notice No. 15 of 2015. This is meant to ensure that food preferences of all communities in the country are taken into account and also the nutritional aspect.

In the 2016/17 financial year, powder milk worth Ksh. 541.9 million was reconstituted to stabilize supplies and prices in the market due to prevailing drought. maize was purchased from farmers at Ksh. 3000 per bag and the Fund managed to procure 942,000 bags. Other activities included the release of 750,000 bags of maize into the market to avail grains into the market and hence cushion the consumer from escalating maize flour prices. The Fund also managed the Government maize subsidy Programme that ensured consumers bought a 2Kg packet of maize flour at Ksh. 90

All these drastic steps made by the Board coupled with favourable support from other stakeholders enabled the Fund meet its core objectives. On behalf of the Board I greatly acknowledge the contribution of each member and stakeholder involved.

Finally, on behalf of the Board of Trustees I sincerely appreciate the support from the government and other partners both financially and politically to enable the Fund stand out and make a contribution to the food security of this Country.


.....
Dr. Richard L. Lesiyampe PhD, CBS
Principal Secretary, State Department of Agriculture

V. CORPORATE GOVERNANCE STATEMENT

The Oversight Board

The Oversight Board establishes the policies for the strategic food reserve and sets the strategic direction and oversees management with a focus of enhancing service delivery to effectively implement its mandate. The Board is also responsible for the corporate governance of the strategic grain reserve.

Size of the Oversight Board

The legal notice No. 15 of 2015 provides for the size of the Board as nine (9) comprising of Principal Secretaries in charge of Agriculture, Interior, National Treasury (finance) and Special Programmes, others include a Chairperson appointed by the President and four independent Board members.

Meetings of the Board

The Oversight Board shall meet not less than four times in every financial year and not more than four months shall elapse between the date of the next meeting. Unless three quarters of the total members of the Oversight Board otherwise agree, at least fourteen days written notice of every meeting of the Oversight Board shall be given to every member of the Board. The quorum for the conduct of the business of the Oversight Board shall be five members excluding the Secretary, of whom the majority shall be from amongst the non *ex-officio* members.

The chairperson shall preside at every meeting of the Oversight Board at which he or she is present but in his or her absence, the members present shall elect one of their number who shall, with respect to that meeting and the business transacted there at, have all the powers of the chairperson. Unless a unanimous decision is reached a decision on any matter before the Oversight Board shall be reached by consensus.

Disclosure of interest

If a member is directly or indirectly interested in any contract, proposed contract or other matter before the Oversight Board and is present at a meeting of the Oversight Board at which the contract, proposed contract or other matter is the subject of consideration, he or she shall, at the meeting and as soon as practicable after the commencement thereof, disclose the fact and shall not take part in the consideration or discussion with respect to the contract or other matter, or be counted in the quorum of the meeting during consideration of the matter: Provided that if the majority of the members present are of the opinion that the experience or expertise of that member is vital to the deliberations of the meeting, the Oversight Board may permit the member to participate in the deliberations subject to such restrictions as it may impose. A disclosure of interest made under this paragraph shall be recorded in the minutes of the meeting at which it is made.

Vacation of office

A member of the Board of trustees may vacate from office on the basis of the following grounds:-

- a) At any time resign from office by notice in writing to Cabinet Secretary; or transferred from the participating ministry
- b) has been absent from three consecutive meetings of the Oversight Board without permission from the chairperson;
- c) is adjudged bankrupt or enters into a composition scheme or arrangement with his creditors;
- d) is convicted of an offence involving dishonesty or fraud;
- e) is convicted of a criminal offence and sentenced to imprisonment for a term exceeding six months;
- f) is incapacitated by prolonged physical or mental illness; or
- g) is otherwise unable or unfit to discharge his functions

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Board attendance

The Board held nine (9) both scheduled and special meetings in the year and there was quorum in all the meetings

VI. CORPORATE SOCIAL RESPONSIBILITY (CSR) STATEMENT

The strategic food reserve is sensitive to the community it operates in and therefore engages in SCR activities to boost the relationship between itself and the community. In the financial year 2016/17, it intervened in the market by purchasing maize at favorable prices to safeguard the famers from exploitation by brokers. It also transferred maize from grain basket region to maize deficit areas to take care of the food needs of the residents. It also intervened in maize flour price stabilization by releasing its stock to the market when the maize flour price was rising to levels beyond the reach by the poor.

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STRATEGIC GRAIN RESERVE FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Strategic Grain Reserve Fund set out on pages 10 to 28, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Gunny Bags

(i). Overstated Cost of Gunny Bags

The statement of financial performance for the year ended 30 June 2017 reflects cost of sales figure of Kshs.11,672,958,682 and other expenditure figure of Kshs.1,849,608,068 respectively, and as disclosed under Notes 6 and 7 to the financial statements, these expenditure items include amounts of Kshs.446,651,961 and Kshs.394,907,461 respectively all totalling Kshs.841,559,422, relating to purchase of gunny bags. However, an audit review of procurement records revealed that an expenditure of Kshs.401,460,400 was incurred on procurement of gunny bags during the year 2016/2017. The difference of Kshs.440,099,022 between the figures disclosed in the financial statements and amounts supported with documentary evidence has not been reconciled or explained.

(ii). Procurement of Gunny Bags

In addition, documents provided for audit indicated that two firms were awarded contracts during the year 2016/2017 to supply gunny bags, where each was to supply

Report of the Auditor-General on the Financial Statements of Strategic Grain Reserve Fund for the year ended 30 June 2017

2,700,000 and 525,000 bags, respectively. However, it is not clear how the two firms were identified as no documentary evidence has been provided to show the procurement method and procedures followed.

Further, no documents have been made available to confirm the agreed pricing or the process followed in arriving at the given price. In addition, no documents have been provided to confirm that proper contracts were entered into between the Fund/State Department of Agriculture and the suppliers. It is also not clear whether the bags were delivered as no delivery notes and related documents have been made available for audit scrutiny.

2. Financial Performance

The statement of financial performance reflects a deficit of Kshs.3,748,576,470 for the year ended 30 June 2017 (2015/2016 – Kshs.4,809,971,427). The continued loss-making trend has been attributed to the multiplicity of expenses including costs of acquisition of maize, acquisition of gunny bags, storage, fumigation, handling costs, transport costs, agency fees and commissions charged by National Cereals and Produce Board (NCPB). The persistent financial loss is an indication of existence of a material uncertainty that casts significant doubts about the ability of the Fund to continue as a going concern. Further, no evidence has been provided to show any efforts being taken by management to address the problem.

3. Inaccuracy of the Financial Statements

(i). Trial Balance

The balances and other figures reflected in the financial statements for the year ended 30 June 2017 have not been supported by a trial balance. The basis of the balances and figures reflected is, therefore, not clear.

(ii). Revenue

The statement of financial performance reflects an amount of Kshs.9,773,990,280 in respect of revenue from sale of maize. However, sales records maintained by National Cereals and Produce Board (NCPB) reflect sales revenue of Kshs.10,159,520,003, resulting in an unexplained and unreconciled difference of Kshs.385,529,723.

(ii). Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.4,729,514,568 as at 30 June 2017 which, although agrees with the bank reconciliation statement, differs with the balance of Kshs.4,633,633,398 shown in the cash book. The cash and cash equivalents balance is, therefore, overstated by an amount of Kshs.95,881,170 in the financial statements.

(iii). Cost of Sales – Purchases

The statement of financial performance cost of sales figure of Kshs.11,672,958,682 comprises, among other figures as disclosed under Note 6 to the financial statements, purchases amounting to Kshs.8,344,961,256. However, records maintained at National Cereals and Produce Board reflect purchases amounting to Kshs.9,951,110,016, resulting to an unexplained and unreconciled difference of Kshs.1,606,148,760.

(iv). Trade and Other Payables

The statement of financial position reflects an amount of Kshs.2,060,694,268 under trade and other payables which, however, differs by Kshs.301,510,867 from the amount of Kshs.2,362,205,135 shown in the records maintained at National Cereals and Produce Board. The completeness and accuracy of the trade and other payables figure of Kshs.2,060,694,268 cannot therefore be confirmed.

(v). Handling Costs on Sales and Commission on Sales

The statement of financial performance reflects an amount of Kshs.1,849,608,068 under other expenditure which includes, as disclosed in Note 7 to the financial statements, an amount of Kshs.944,007,268 relating to handling costs on sales and commission on sales. This amount differs with the amount of Kshs.1,149,921,718 reflected in supporting documents by an amount of Kshs.205,914,450 that has not been reconciled or explained.

(vi). Transport and Handling Costs to Other Depots

Further, the figure of Kshs.1,849,608,068 reflected in the statement of financial performance under other expenditure includes, as disclosed under Note 7 to the financial statements, an amount of Kshs.192,372,613 relating to transport and handling costs to other depots, which differs from the amount of Kshs.533,527,249 reflected in supporting documents unexplained and unreconciled amount of Kshs.341,154,636.

4. Unsupported Balances

(i). Inventories

The statement of financial position reflects an amount of Kshs.3,561,708,813 under inventories, which includes, as disclosed under Note 9 to the financial statements, an amount of Kshs.500,000,000 relating to powdered milk at New Kenya Co-operative Creameries (NKCC). However, no documentary evidence has been provided to support the balance of Kshs.500,000,000 as at 30 June 2017. Consequently, the existence of such stock cannot be confirmed.

(ii). Receivables

The statement of financial position reflects an amount of Kshs.5,849,677,056 under receivables. However, no documentary evidence has also been provided to support the amount. Consequently, the completeness and accuracy of the receivables balance cannot be ascertained.

(iii). Cost of Sales

The statement of financial performance reflects an amount of Kshs.11,672,958,682 under cost of sales. However, payment vouchers and supporting for expenditure totalling Kshs.4,494,724,000 relating to importation of maize, as shown below, have not provided for audit review.

<u>Date</u>	<u>Supplier</u>	<u>Amount (Kshs)</u>
23/06/2017	M/s Export Trading	1,072,000
23/06/2017	M/s Export Trading	1,114,000
23/06/2017	M/s Export Trading	1,400,000
01/06/2017	M/s Hydery P. Limited	1,362,138,000
23/06/2017	M/s Hydery P. Limited	396,000,000
15/06/2017	M/s Hydery P. Limited	324,000,000
28/06/2017	M/s Hydery P. Limited	1,000,000,000
19/06/2017	M/s Kitui Mills Limited	400,000,000
22/06/2017	M/s Mombasa Maize Millers	609,000,000
19/05/2017	M/s Pembe Flour Mills Ltd	<u>400,000,000</u>
		<u>4,494,724,000</u>

Consequently, the propriety of the expenditure totalling Kshs.4,494,724,000 cannot be ascertained.

5. Obsolete and Unfit Stock of Maize

As reported in 2015/2016, a review of quality assurance reports for that year maintained by National Cereals and Produce Board indicated that Celphos, the Board's preferred fumigation chemical had failed to kill weevils. Information available further indicated that although most stations (depots) had requested for a change of the chemical, the Board had not come up with an alternative. Consequently, 754,015 bags of maize valued at Kshs.1,772,055,670 were found to have been damaged beyond the 2.5% acceptable limit and were not fit for human consumption. No evidence has been produced during the audit to show whether the situation has been addressed 2016/2017.

Further, and as reported in 2015/2016, no adjustments have been made in these financial statements to account for the obsolete stock.

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 (Accrual 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 Fund'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.

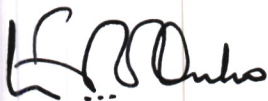
Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

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

I am independent of the Strategic Grain Reserve Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



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

Nairobi

15 May 2018

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

VIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Revenue from exchange transactions			
Sales from Maize	5	10,159,520,003	4,310,850,380
		<u>10,159,520,003</u>	<u>4,310,850,380</u>
Total revenue		<u>10,159,520,003</u>	<u>4,310,850,380</u>
Cost of Sales	6	13,680,567,842	7,657,492,550
Other expenditures	7	2,403,230,093	1,463,329,257
		<u>16,083,797,935</u>	<u>9,120,821,807</u>
(Deficit) before tax		<u>-5,924,277,932</u>	<u>(4,809,971,427)</u>
(Deficit) for the period		<u>-5,924,277,932</u>	<u>(4,809,971,427)</u>

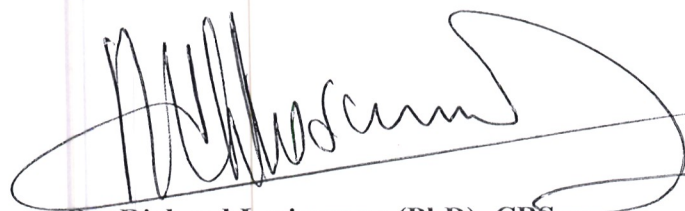
The notes set out on pages 14 to 22 form an integral part of these Financial Statements

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

IX. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	8	4,729,514,568	2,588,782,991
Inventories	9	3,761,708,813	6,589,706,239
Receivables	10	6,865,220,613	7,030,977,248
		15,356,443,994	16,209,466,478
Non-current assets			
			-
Total assets		15,356,443,994	16,209,466,478
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	11	2,362,205,154	1,807,680,657
Non-current liabilities			
		2,362,205,154	1,807,680,657
Total liabilities		2,362,205,154	1,807,680,657
Net assets		12,994,238,840	14,401,785,821
Reserves		36,593,162,751	32,076,431,800
Accumulated Deficit		(23,598,923,911)	(17,674,645,979)
		12,994,238,840	14,401,785,821

The Financial Statements set out on pages 10 to 13 were signed on behalf of the Fund by:



Dr. Richard Lesiyampe (PhD), CBS
Principal Secretary

Date.....

30 June 2017



Samuel K. Kungu
Assistant Accountant General
ICPAK Member Number:

Date.....

30/09/2017

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

X. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Capital Reserves Kshs	Accumulated surplus Kshs	Total Kshs
Balance as at 1 July 2015	30,890,273,163	(12,864,674,552)	18,025,598,611
Surplus/(deficit) for the period		(4,809,971,427)	(4,809,971,427)
Grants received during the year	1,186,158,637		1,186,158,637
Balance as at 30 JUNE 2016	32,076,431,800	(17,674,645,979)	14,401,785,821
			-
Surplus (deficit) for the period		(5,924,277,932)	(3,748,576,470)
Grants received during the year	4,516,730,951	-	1,426,996,818
Balance as at 30 JUNE 2017	33,503,428,618	(23,598,923,911)	12,080,206,169

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
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XI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Cash flows from operating activities			
Net cash flows from operating activities	13	-2,375,999,374	1,315,478,335
Cash flows from investing activities			
Net cash flows used in investing activities		-	
Cash flows from financing activities			
Government Grants received during the year	12	4,516,730,951	1,186,158,637
Net cash flows used in financing activities		4,516,730,951	1,186,158,637
Net increase/(decrease)in cash and cash equivalents		2,140,731,577	2,501,636,972
Cash and cash equivalents at 1 JULY		2,588,782,991	87,146,019
Cash and cash equivalents at 30 JUNE 2017		4,729,514,568	2,588,782,991

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

XII. NOTES TO THE FINANCIAL STATEMENTS

1. General information

Strategic Grain Reserve was established in 2002 under the legal Notice No. 55 of 2002. It has since changed from Strategic Grain Reserve Trust fund to Strategic Food Reserve Trust Fund and derives its authority and accountability from Legal Notice No. 15 of February 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity was to maintain a physical stock of 4 million bags of maize and a cash equivalent of a similar volume. The mix of grain and cash ensures that on the one hand the Government was able to save lives in the case of an emergency by mobilizing food to areas not well served by grain markets. On the other hand, cash reserves allow the government to purchase the commodity in areas with well-functioning markets when an emergency occurs. Other food commodities besides maize have been incorporated into the Reserve. This includes; rice, beans, powder milk, fish and canned beef.

2. Statement of compliance and basis of preparation

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
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Standard	Impact
IPSAS 35: Consolidated Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply.
IPSAS 36: Investments in Associates and Joint Ventures	The entity does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	The entity has an interest in arrangements with the National Cereals and Produce Board as elaborated in the Agency Agreement.
IPSAS 38: Disclosure of Interests in Other Entities	The entity does not have an interest in other entities and therefore the standard does not apply.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

i. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Sale of goods

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

b) Budget information

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

c) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and directly attributable transaction costs.

d) Inventories

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Summary of significant accounting policies (continued)

(d) Inventories (continued)

a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs necessary to make the sale, exchange, or distribution.

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

e) Provisions

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

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

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

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued)

f) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

g) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

h) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Board of Trustees and Food Management Unit (FMU).

j) 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- (CBK) at the end of the financial year.

k) Comparative figures

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

l) Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Summary of significant accounting policies (continued)

q) Significant judgments and sources of estimation uncertainty

Estimates and assumptions

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

Useful lives and residual values

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

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

m) Subsequent events

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

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Sale of Maize

	2017 Shs	2016 Shs
Sale of Maize --90kg bags	10,159,520,003	4,310,850,380
	<u>10,159,520,003</u>	<u>4,310,850,380</u>

	2017 Shs	2016 Shs
6. Cost of Sales (Maize & gunny bags)		
Balance b/d	6,389,706,239	12,561,675,316
Add: purchases note : (I & ii)	10,352,570,416	1,485,523,473
	<u>16,742,276,655</u>	<u>14,047,198,789</u>
Less: Closing stock (iii)	3,061,708,813	6,389,706,239
Cost of sales	<u>13,680,567,842</u>	<u>7,657,492,550</u>

Note: Purchases

	Qty-	Value Kshs.
(i) Maize-	497,760	9,951,110,016
(ii) Gunny bags	3,028,949	<u>401,460,400</u>
		<u>10,352,570,416</u>
 (iii) Closing stock	Qty	Value Khs.
Maize	715,108	2,717,570,413
Gunny bags	3,037,688	<u>344,138,400</u>
		<u>3,061,708,813</u>

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Expenses

	2017	2016
	Shs	Shs
Transport cost& handling cost to other depots	533,527,249	244,668,423
Storage and fumigation	153,531,615	416,587,263
Handling costs on sales & commission on sales	1,149,921,718	476,796,149
Drying charges	-	45,491,356
Purchase commission & handling costs on purchases	164,789,110	69,227,261
Gunny bags	401,460,400	210,558,805
Total expenses	1,849,608,068	1,463,329,257

8. Detailed analysis of the cash and cash equivalents

		2016-2017	2015-2016
Financial institution	Account number	KShs	KShs
Central Bank of Kenya	1000217189	4,729,514,568	2,588,782,991
Total		4,729,514,568	2,588,782,991

9. Inventories

	2017	2016
	Shs	Shs
Bags of maize	2,717,570,413	6,226,921,120
Gunny bags	344,138,400	162,785,119
Powdered Milk - KCC	700,000,000	200,000,000
Total inventories	3,761,708,813	6,589,706,239

10. Receivables from exchange transactions

	2017	2016
	Shs	Shs
Current receivables		
Other exchange debtors	6,865,220,613	7,030,977,248
Total current receivables	6,865,220,613	7,030,977,248

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Trade and other payables from exchange transactions

	2017	2016
	Shs	Shs
Balance b/d	1,807,680,657	1,885,262,704
Storage and fumigation	132,354,840.60	359,126,951
16% VAT	21,176,774.50	57,460,312
Stock transport costs& handling expenses	448,162,889.00	241,160,632
16% VAT	85,364,360.00	3,507,791
Sales commission and handling costs to other depots	993,072,396.00	412,001,350
16% VAT	156,849,322.00	64,794,799
Drying charges		39,217,534
16% VAT		6,273,822
Purchases commission	144,215,065.62	59,888,152
16% VAT	20,574,044.81	9,339,109
Owed to farmers		-
Paid during the year	(1,447,245,195.22)	(1,330,352,499)
Total trade and other payables	2,362,205,154	1,807,680,657

12. Government Grants

		2016-2017	2015-2016
		KShs	KShs
1	11-May-2017	1,346,403,869	1,122,480,892
2	22-June-2017	50,160,000	1,751,858
3		89,734,133	40,350,348
4	30-June-2017	3,000,000,000	21,575,739
		4,516,730,951	1,186,158,637

13. Cash generated from operations

	2017	2016
	Shs	Shs
Surplus for the year before tax	(5,924,277,932)	(4,809,971,427)
Adjusted for:		
Depreciation		-
(Increase) receivables	165,756,635	228,011,360
(Increase) in inventories	2,827,997,426	5,975,020,449
Increase/(Decrease) in payables	554,524,497	(77,582,047)
Net cash flows from operating activities	-2,375,999,374	1,315,478,335

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
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14. Events after the reporting period

There are no material events after the reporting date.

**STRATEGIC GRAIN RESERVE FUND
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15. Trial balance for the period ended 30th June 2017

	Debit		Credit	
	2016-2017	2015-2016	2016-2017	2015-2016
	Kshs.	Kshs.	Kshs.	Kshs.
Sales			10,159,520,003	4,310,850,380
Cost of goods sold	13,680,567,842	7,657,492,550		
Storage and fumigation	132,354,841	359,126,951		
16% VAT	21,176,774	57,460,312		
Stock transport costs& relocation expenses	448,162,889	241,160,632		
16% VAT	85,364,360	3,507,791		
Sales commission and handling	993,072,396	412,001,350		
16% VAT	156,849,322	64,794,799		
Drying charges	-	39,217,534		
16% VAT	-	6,273,822		
Purchases commission	144,215,066	59,888,152		
16% VAT	20,574,045	9,339,109		
Stocks	3,761,708,813	6,589,706,239		
Bank	4,729,514,568	2,588,782,991		
Accounts receivable	6,865,220,613	7,030,977,248		
Gunny bags	401,460,400	210,558,805		
Accounts Payable			2,362,205,154	1,807,680,657
Accumulated Funding			36,593,162,751	32,076,431,800
Accumulated Loss as at 1st July 2016	17,674,645,979	12,864,674,552		
Total	49,114,887,907	38,194,962,837	49,114,887,908	38,194,962,837

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

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. All previous audit queries were resolved under the Ministry of Devolution and Planning.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
974	<p>Stocks</p> <p>The stocks balance of Kshs.6,361,962,350.35 composed of 2,347,219 bags of maize reflected in the balance sheet as at 30 June, 2013 includes 94,154 bags of maize valued at about Kshs.255,197,407.00 reported as normal loss. No provision has been made for the loss in the Trust Fund's financial statements. Moreover, the balance has not been supported with stock records and adequate documentation. It has not been possible in the circumstances to confirm that the carrying value of stocks figure of Kshs.6,361,962,250.35 as stated in the financial statements reflect the fair values of the stocks as at the balance sheet date.</p>	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning
975	<p>Gunny Bags</p> <p>i). The Strategic Grain Reserve Fund Trustees in December 2012 transferred</p>	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning

**STRATEGIC GRAIN RESERVE FUND
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Reference No. in the Annual Report	Issues Observed from Management Comments in the Annual Report	Status	Financial Impact
	<p>cash amounting to Kshs.100,000,000.00 from the Fund's account at Central Bank to National Cereals and Produce Board (NCPB) to facilitate purchase of gunny bags. Later, in June 2013, an additional Kshs.100,000,000.00 was transferred to the Fund's Kenya Commercial Bank (KCB) Account No.1141385120 similarly for purchase of the gunny bags. No authority or minutes of the meeting of Strategic Grain Reserve Trustees in support of these withdrawals were provided for audit review. It has not, therefore, been possible to ascertain whether the withdrawals and the proposed procurement complied with Clause 6(1) of the Exchequer and Audit (Strategic Grain Reserve Trust Fund) Regulations, 2002 which requires that such expenditure shall be on the basis of and limited to the annual work programmes and cost estimates which shall be submitted to the Trustees for approval.</p>	Planning	Planning
	<p>(ii). Although the amount of Kshs.100,000,000.00 transferred to NCPB was</p>	Planning	Planning

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

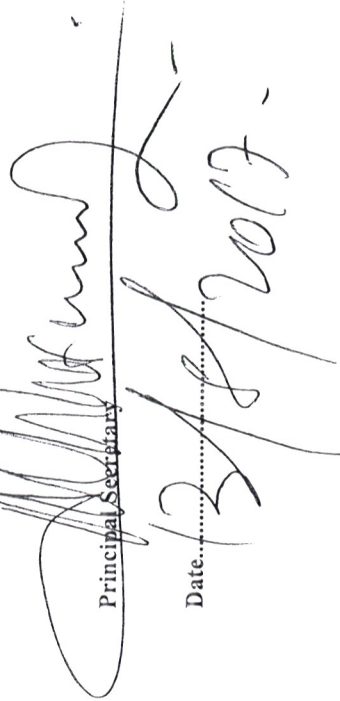
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	acknowledged as received in December 2012, no documentary evidence was produced to confirm whether NCPB had procured the gunny bags for the Fund in the year 2012/2013. (iii). The balance sheet also reflects under current assets a balance of Kshs.100,000,000.00 described as gunny bags. This figure has not been supported with documentary evidence. Under the circumstance, the existence and valuation of these current assets could not be ascertained.				
976	Accounts Receivable The balance sheets reflects a Famine Relief Account receivable balance of Kshs.6,865,220,613.00 which includes amounts totaling Kshs.6,844,720,613.00 or 424 about 99.7% which relates 2011/2012 and earlier years. No explanation has been provided for failure to recover this long outstanding debt. Any additional provision that would have been necessary in relation to this uncertainty has not been incorporated in the financial statements.	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning
977	Cash at Bank	Resolved under the Ministry	Resolved under the	Resolved under	Resolved under the

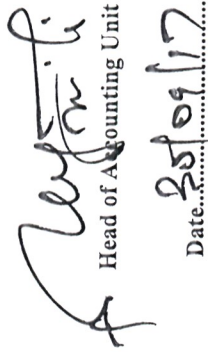
**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2017**

Reference No. on the General Audit Report	Issue Observed from Auditor	Management Comments	Person responsible to resolve the issue	Status	Timeframe
978	The balance sheet reflects Cash at Bank of Kshs.322,303,663.55 which according to Note (7) to the financial statements includes an amount of Kshs.142,994,020.00 held in the Revenue Collection account maintained at the Kenya Commercial Bank (KCB). However, the transactions during 2012/2013 in respect of this revenue collection account were not recorded in the main Strategic Grain Reserve Fund cashbook. No separate cashbook was likewise maintained for this revenue collection account. In addition no bank reconciliation statements or certificate of bank balance as at 30 June 2013 for the account were produced for audit. Consequently, the existence, completeness and accuracy of the Kshs.142,944,020.00 balance relating to the revenue collection account could not be ascertained.	of Devolution and Planning	Ministry of Devolution and Planning	the Ministry of Devolution and Planning	Ministry of Devolution and Planning
	Unsupported Balances The Trust Fund's financial statements for the year ended 30 June 2013 reflects t	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning	Resolved under the Ministry of Devolution and Planning

**STRATEGIC GRAIN RESERVE FUND
REPORTS AND FINANCIAL STATEMENTS
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
	balances that were not supported by analyses and documentary evidence relating to i. Sales Ksh. 218,592,195.00 ii. Stocks ksh. 203,350.00 iii. Accounts receivable ksh. 1,812,712,417.46		Planning	Planning	Planning


 Principal Secretary
 Date: 13/8/2017


 Head of Accounting Unit
 Date: 25/09/17

