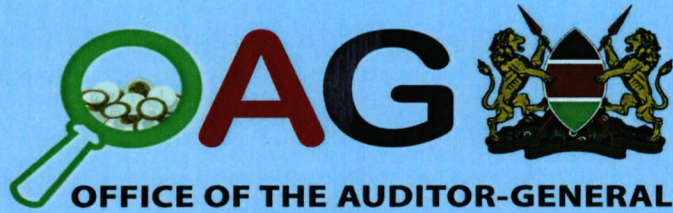


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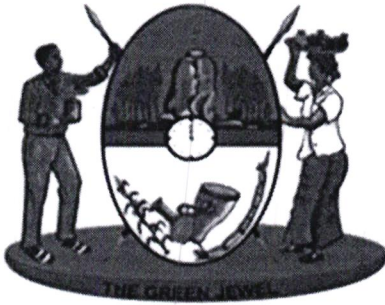
THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY DAIRY
DEVELOPMENT CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2021**





**COUNTY GOVERNMENT OF KAKAMEGA
(KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION)**

**ANNUAL REPORTS AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in 2018, as a body corporate with perpetual succession and common seal, to provide a legal framework for the development of the dairy value chain in Kakamega County. The Act makes provisions for the role of the corporation in the dairy industry in the County and related matters in furtherance of the fourth schedule of the constitution. The Corporation is domiciled under the Department of Agriculture, Livestock, Fisheries and Cooperatives.

The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.

The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.

Currently the Corporation is managed by staff seconded from the parent, Department of Agriculture, Livestock, Cooperatives and Fisheries. The corporation employs staff in the cadres of farm managers, drivers, farm hands, casuals and security guards on contract terms.

In the reporting financial year, the Corporation developed and approved its Official Logo and Service Charter and is in the process of developing other key instruments of governance including its five-year Strategic Plan. The Strategic plan will help the corporation set an ambition for its future activities and help determine how best to achieve these. The plan will determine the direction for corporation focusing on the corporation's efforts and ensure that everyone in the corporation is working towards a common goal.

The corporation is also in the process of developing its key corporate governance policies to guide the management achieve its mandate while providing its services. The board of management and the parent departments of Agriculture, livestock & Fisheries and Finance have been proactive in supporting and guiding the in supporting the corporation management to steer the corporation in the right direction.

The corporation's head office is situated at the County Government of Kakamega Sahajanand Building in Kakamega town along Mumias road. The corporation intends to construct its head office at one of the Smart Dairy Farms in the next financial year.

The corporation is currently implementing two major programmes namely the establishment of twelve smart dairy farms one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative). In the reporting period, the corporation has established and operationalized four smart dairy farms in Lurambi, Matungu, Lugari and Khwisero sub counties with a total of 115 dairy animals. Each smart dairy farms hosts an average of 28 dairy cows.

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Since its inception in the year 2015, the corporation under the One Cow Initiative has procured and distributed 1790 dairy cows to selected beneficiaries. The selected beneficiaries have also been trained on animal husbandry practices before benefitting from the dairy cows.

In the reporting period, over 400 heifers were passed on from the dairy cows' beneficiaries to new beneficiaries within the localities. Milk production in households benefitting from dairy cows and heifer pass-ons has increased from an average of 2 litres per cow per day to 10 litres per cow per day. The benefitting households have increased their household incomes from sale of milk and their nutritional status.

b) Principal Activities

Kakamega County Dairy Development Corporation (KDDC) Act 2018 mandates the Corporation to engage in the following functions:

- I. Engage in the commercial rearing and breeding of dairy livestock.
- II. Develop, promote and adopt the best practices in the dairy value chain.
- III. Create a ready market for milk for dairy farmers.
- IV. Develop and maintain a milk processing plant in the County.
- V. Undertake and promote research in the field of dairy farming.
- VI. Promote or assist in the setting up of dairy training facilities.
- VII. Provide advisory services to stakeholders of dairy farming.
- VIII. Implement and manage the dairy livestock incentives through the cooperative societies.
- IX. Facilitate and negotiate concessions for dairy farming input.
- X. Facilitate acquisition of farm inputs and machinery subsidy.
- XI. Carry out such other functions as may be assigned to it by this Act or any other written
- XII. Promote Dairy Cooperative activities within the County.

Services offered by the Corporation:

The Corporation through its service charter developed in the reporting period offers the following services:

S/ N O	SERVICE PROVIDED	CUSTOMER OBLIGATION	CHARGE S (KSH)	DURATION	SERVICE DELIVERY POINT
1.	Customer/visitors reception and response to general inquiries	Courtesy (visit Headquarters/SDF)	Free	Immediately	Corporation Headquarters All Smart Dairy Farms
2.	Telephone calls	Courtesy	Free	First 3 rings	Corporation Headquarters All Smart Dairy Farms

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3.	Routine correspondence	Courtesy	Free	Within 5 days	Corporation Headquarters All Smart Dairy Farms
4.	Technical correspondence	Courtesy	Free	Within 14 days	Corporation Headquarters All Smart Dairy Farms
5.	Provision of training and advisory services	Letter of request/on need basis	Determined by nature/type of training	1 Day - 1 Month	Corporation Headquarters All Smart Dairy Farms
6.	Sale of milk	Courtesy	Kshs. 45 per litre	Immediately	All Smart Dairy Farms
7.	Sale of heifers	Courtesy	Kshs. 150,000	Periodically (When available)	All Smart Dairy Farms
8.	Sale of cow culls	Courtesy	Reserve price set by the Valuer	Within 6 months	All Smart Dairy Farms
9.	Sale of bull calves	Courtesy	Kshs. 5,000	1 Week (When available)	All Smart Farms
10.	Sale of manure	Courtesy	Kshs. 1,000 per ton	1 Week (When available)	All Smart Dairy Farms
11.	Facilitate access to milk cooling and bulking centres	Make milk available	Charges to be determined by the Board	Immediately	All Smart Dairy Farms
12.	Facilitate formation/strengthening of organized group milk marketing channels	Courtesy	As per the Cooperative Society Act	1 Month	Corporation Headquarters
13.	Procure and distribute in calf heifers	List of potential beneficiaries	Free	Periodically	At Ward level
14.	Facilitate pass-on of one cow initiative heifers	List of potential beneficiaries	Free	Periodic (Every after 3 months)	At the Ward level
15.	Award of tenders and quotations	Tender/ Quotation Documents	As per provisions of Public Procurement Act of 2015	30 Days	Corporation Headquarters
16.	Supervision of construction works	Work implementation	Free	As specified per	Corporation Headquarters All Smart Dairy Farms

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	at Smart Dairy Farm projects	schedules by contractors		period in the schedule	
17.	Monitoring of projects	Work implementation schedules	Free	As per specified period/work plans	Corporation Headquarters All Smart Dairy Farms and farmers
18.	Merchant payment processing	Provide invoice, delivery notes and certificates of completion	Free	7 days	Corporation Headquarters

c) Board of Trustees/Fund Administration Committee

No	Name	Position	Date of Appointment
1	Dr. Dickens Malanga Chibeu	Chairman	20th Nov 2019
2	Mr. John Kanyanya	Member	20th Nov 2019
3	Mr. Evans Gallo	Member	20th Nov 2019
4	Mr. Reuben Luganu	Member	20th Nov 2019
5	Mrs Roselyne Ambani	Member	20th Nov 2019
6	M/s Vivianne Mbaka	Member	20th Nov 2019
7	Dr. Jeremiah Namunyu	Member	20th Nov 2019
8	Amb. James Ochami	Member	20th Nov 2019

d) Key Management

S/NO	NAME	POSITION AND RESPONSIBILITY
1	Mr. Jeremiah Namunyu	Chief Officer, Department of Agriculture, Livestock Fisheries, Cooperatives and Irrigation.
2	Amb. James Ochami	Chief Officer, Treasury and Planning.
3	M/s Vivianne Mbaka	County Attorney.
4	Dr. Isaac Lubutsi	Chief Executive Officer.
5	CPA. Vitalis Laudo	Accountant

e) Fiduciary Oversight Arrangements

Ref	Position	Name
-----	----------	------

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1	County Assembly	Assembly Committees
2	Auditor General	Office of Auditor general
3	National Treasury	Directorate of Accounting Services
4	Controller of budget	Office of COB

f) Registered Offices

P.O. Box 36-50100,
Sahajanand Building,
Mumias Road,
KAKAMEGA, KENYA

g) Fund Contacts

E-mail: kakamegadairyco@gmail.com.

h) Fund Bankers

Kenya Commercial Bank,
Kakamega Branch.

i) Independent Auditors

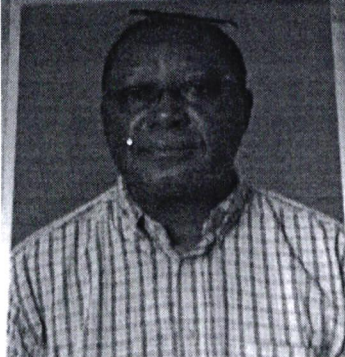
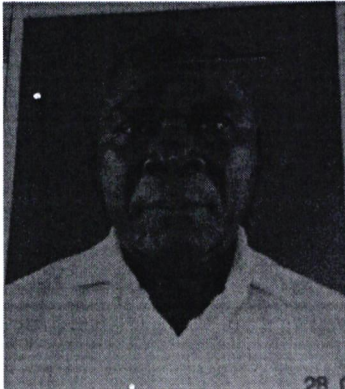
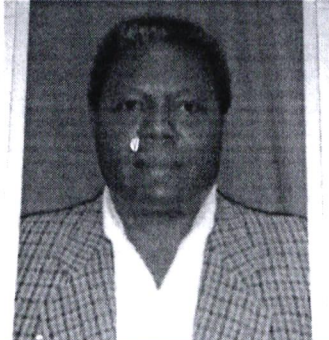
Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) Principal Legal Adviser

County Attorney,
Legal Office,
Kakamega Town,
P.O. Box 36,
Kakamega, Kenya

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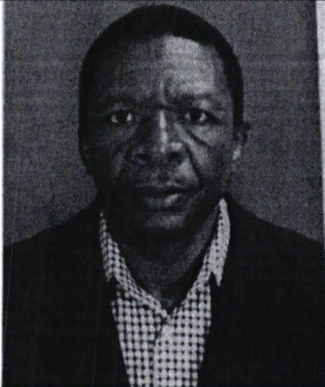


2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

1	<p>Dr. Dickens Malanga Chibeu</p> 	<p>Date of birth : 27.02.1966 Masters of Science in Veterinary Epidemiology and Economics. Bachelor of Veterinary Medicine. Independent director Chairman of the Board</p>
2	<p>Mr. John Kanyanya</p> 	<p>Date of birth : 20.03.1956 Bachelor of Science in Botany and Zoology. Independent Director Member of Technical committee and Finance and Administration chairperson</p>
3	<p>Mr. Evans Gallo</p> 	<p>Date of birth : 15.10.1960 MA in Communication Studies, BA in Literature. Postgraduate diploma in Corporate Communication. Advanced Diploma in Business English. Independent director Member of Audit and Risk committee</p>
4	<p>Mr. Reuben Luganu</p>	<p>Date of birth : 12.05.1958 B.Com (Accounting option). Diploma Cooperative Management. Independent Director Member of Audit and Risk committee</p>


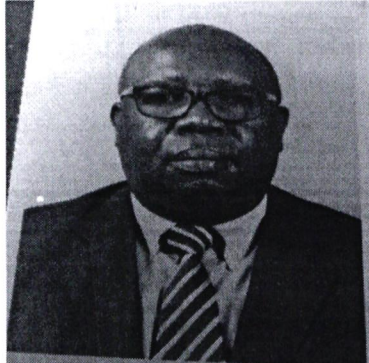
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5	<p>Mrs Roselyne Ambani</p> 	<p>Date of birth: 12.04.19.68 Masters in Agricultural Production in Value Chain Management (Livestock value chain). Bachelor of Science Animal Production. Independent Director Member of Finance and Administration committee and Technical committee chairperson</p>
6	<p>M/s Vivianne Mbaka</p> 	<p>Date of birth: 17.08.1985 Master of law, Bachelor of Law. Executive Director County Attorney Member of Finance and Administration committee</p>
7	<p>Mr. Jeremiah Namunyu</p>	<p>Date of birth: 04.08.1973 MSC-Agriculture, BSC-Agriculture, 19 years' experience Executive director Chief officer Agriculture</p>

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8	<p>Amb. James Ochami</p> 	<p>Date of birth: 26:10.1961 MBA in Strategic Management. B.Com (Finance and Accounting), CPAK, CS. Executive Director Chief officer Finance Member of Finance and Administration committee</p>

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3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Guidance

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The Corporation is currently implementing two livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County and the distribution of dairy cows through the One Cow Initiative (OCI).

In the reporting period, the Corporation finalized the construction and operationalization of Khwisero Smart Dairy Farm in Khwisero sub county bringing to four (4) in number of operational Smart Dairy Farms namely Bukura Smart Dairy Farm in Lurambi Sub- County, Matungu Smart dairy Farm in Matungu Sub-County, Kabras Smart Dairy Farm in Lugari Sub- County and Khwisero Smart Dairy Farm in Khwisero sub county.

The construction of Malimili Smart Dairy Farm in Shinyalu sub county that was awarded in FY 2019/20 was stopped by a court order in July 2020 following a case filed by a litigant. The case is due for mention in November 2021.

The construction of Malava Smart Dairy Farm was awarded in April 2020 and the contractor commenced construction works. The construction works were slowed down by COVID 19 pandemic effects and restrictions. The construction works achieved at the close of the reporting period was 35%.

The planned construction of Shitoli Smart Dairy Farm in Ikolomani sub county was deferred to FY 2021-22 due to budgetary constraints occasioned by poor cash flow as a result of COVID 19 economic effects.

In the reporting period, the total population of animals in the four smart dairy farms averaged 115, with lactating cows averaging between 34 to 36, 20 dry cows averaging between 18 and 22, heifers and weaners averaging between 15 and 25 and calves averaging between 5 and 15.

In this reporting period, the three operational smart farms (Bukura, Matungu, Kabras) produced a total of 57,837 litres of milk, with Bukura producing 18,991.3 litres: Matungu producing 27,3334 litres and Kabras producing 11,512 litres.

In this period, the corporation collected a total revenue of Kshs. 2,567,634.98 from the sale of milk and bull calves on the three operational farms. Bukura farm collected a revenue of Kshs. 807,131; Matungu farm collected a revenue of Kshs. 1,230,011 while Kabras farm collected a revenue of Kshs. 460,493.

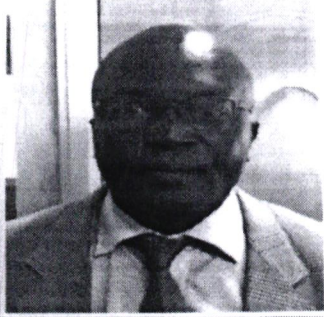
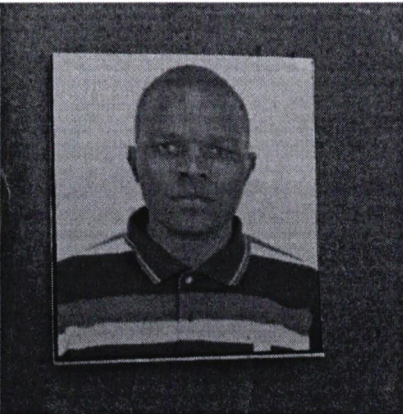
The sale of bull calves netted a total of Kshs. 70,000 for the corporation in the reporting period. Sale of bull calves in Bukura netted a revenue of Kshs. 35,000; sale of bull calves netted a revenue of Kshs. 20,000 from Matungu farm while Kshs. 15,000 was realised from sale of bull calves in Kabras farm.

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The heifers born on the three smart farms were bred and prepared for distribution to newly constructed smart farms while bull calves were sold for revenue.

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4. MANAGEMENT TEAM

S/NO	NAME	POSITION AND RESPONSIBILITY
4	<p>Dr. Isaac Lubutsi</p> 	<p>Date of birth :17.12.1966 B.Sc. Veterinary medicine Chief Executive Officer.</p>
5	<p>CPA. Vitalis Laudo</p> 	<p>Date of birth :05.08.1991 B.com (Accounting) CPAK Accountant</p>

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5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

On behalf of the Board of Directors (BoD) of the Kakamega County Dairy Development Corporation (KDDC), I have the honor to forward the Annual Reports and Financial Statements for the Financial Year ending June 30, 2021.

As a body corporate, the corporation is mandated with the development of the dairy value chain in Kakamega County.

The current Board of Directors (BoD) took oath of office on 19th Dec 2019. The Board comprises nine members including (a) a non-executive chairperson appointed by the governor; (b) accounting officer for the county department responsible for livestock development; (c) chief officer responsible for finance; (d) county attorney; (e) chief executive officer who shall be an ex officio member; (f) three members with relevant qualifications appointed by the Executive Committee Member. (g) one person nominated by Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member of parent ministry.

The Board is fully alive to its mandate and the fact that KDDC, having been established in the year 2018 is still in formative stages and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability.

The Corporation has a vision to be the best dairy value chain in the country. To achieve the vision, we are focused on promoting the dairy industry in the county through the adoption of best dairy value chain practices as well as the development and use of key instruments necessary for successful corporate governance in line with Mwongozo Code.

During the year, the Board recruited a substantive Chief Executive Officer who is currently managing the day-to-day affairs of the corporation. The Board and its three committees (Technical, Finance and Administration and Risk and Audit) were vibrant throughout the year, and each met at least three times. Other notable achievements include holding of an induction course, development and approval of the Corporation's Logo, Service Charter, Annual Budget and Work Plan, Board Calendar and Organizational Structure. The Board is now set to develop the Corporation's Website and Five-Year Strategic Plan as a top priority.

The Board is pleased with the operational and financial results delivered by management. Being a young Corporation, KDDC has faced several challenges, key among them being inadequate funding, delayed disbursement of funds and inadequate qualified staff.

The Board acknowledges the support it has received from H.E. The Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable us to complete the construction of Smart Farms in each of the twelve sub-counties, operationalize the Milk Factory at Malava, perpetuate the One-Cow Initiative and enhance the formation of milk producer groups.

The Board acknowledges the support and good working relationship with the Departments of Agriculture, Livestock, Fisheries and Cooperatives and Finance, Planning and Information Technology as well as the Office of the County Attorney.

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Signed 

Dr Dickens Malanga Chibeu,
Chairperson, Board of Directors.

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The Chief Executive Officer of Kakamega County Dairy Development Corporation (KDDC) is pleased to submit the Annual Reports and Financial Statements for the Financial Year ending June 30, 2021.

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The Corporation is currently implementing two livelihoods transformative programs: the development of twelve (12) Smart Dairy Farms (SDFs) in the County, one in each of the twelve (12) sub counties of the County and the distribution of dairy cows through the One Cow Initiative (OCI).

The developed smart farms are enabling farmers and students from within the localities to be trained on best practices in dairy value chain geared towards improving milk production and incomes at household levels. They are also learning centres for local farmers and students from schools and institutions within. Milk collected from the smart farms is sold to local communities and revenue banked in the revenue account to support farm operations.

The One Cow Initiative programme entails training of individual farmers and cooperative societies in dairy management following which they are given dairy animals to improve dairy production and household incomes. The farmers also pass on one female calf to selected and trained farmers in the locality.

Kakamega county is milk deficient and relies on raw milk imports from neighbouring counties and processed from other counties. The mandate and focus of the corporation is to reverse this situation and make the county be raw and processed milk surplus while improving the economic livelihoods of dairy farmers across the county.

It is planned that once the construction and operationalization of Malava Milk processing plant in Malava sub county is completed, the corporation's smart dairy farms will act as collection/chilling centres for milk from local farmers for onward transmission to the processing plant. The smart farms will also supply their milk to the milk factory.

In the reporting period, the Corporation operated four Smart Dairy Farms namely Bukura Smart Dairy Farm in Lurambi Sub- County, Matungu Smart dairy Farm in Matungu Sub-County, Kabras Smart Dairy Farm in Lugari Sub- County and Khwisero Smart Dairy Farm in Khwisero sub county.

Khwisero Smart Farm was operationalized in mid June 2021 with the transfer of 26 dairy heifers from the Bukura ATC holding unit to Khwisero. These heifers worth KES 3.9 million were born and bred from the three operational farms of Bukura, Matungu and Kabras.

In this reporting period, the total population of animals in the four smart dairy farms was 116, with 36 lactating cows, 20 dry cows, 39 heifers, 11 weaners and 10 calves.

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In this reporting period, the three smart farms produced an average of 7,860 to 9,816 liters of milk per month from a herd of 35 lactating cows, representing an increment of 48% compared to the last quarter. The farms collected a monthly revenue of between KES 294,235 and KES 375,992. Total milk produced in the quarter was 26,467 litres while total revenue collected was KES 998,183 representing an increment of 48% compared to the last quarter.

The heifers born on the three smart farms are bred and prepared for distribution to newly constructed smart farms while bull calves are sold for revenue.

Khwisero Smart Dairy Farm was operationalized in mid-June 2021 with the transfer of 26 dairy heifers from the Bukura ATC holding unit to Khwisero. All these heifers worth 3.9 million were bred from the operational farms of Bukura, Matungu and Kabras. A farm manger, three farm hands and one security guard were recruited to support in management of Khwisero Smart Dairy Farm.

The Construction of Malimili Smart Dairy farm in Shinyalu Sub County and Malava Smart Dairy Farm in Malava Sub County commenced in the FY year 2019/2020.

The construction of Malimili Smart Dairy Farm in Shinyalu Sub County was stopped by a court order following a case filed by a litigant and the case is on-going in court.

The construction of Malava smart Dairy Farm is currently at about 30% completion for which the contractor was paid KES 4 million in February 2021 for the certificate previously raised. The contractor who had abandoned site, was instructed to resume works after payment of first certificate was affected. The contractor resumed construction works at Malava Smart Dairy Farm.

It is important to note that the corporation's activities were adversely affected the COVID 19 pandemic that ravaged the country in this period leading to serious disruptions in farming activities and cash flow as the national and county governments implemented COVID 19 measures and protocols to contain the pandemic.

In this reporting period, the Corporation received Kshs. 8.5 million for recurrent and Kshs. 21.9 million for development expenditures from the County treasury against a budget of Kshs.17 million for recurrent and Kshs.50 million for development; representing a 50 % absorption for recurrent and 43% for development. The low absorption was due to serious cash flow problems experienced by the National and County government due to COVID 19 pandemic effects on the economic performance of the two institutions.

It is important to note that the Corporation is in its formative stages of inception having been established by an act of County Assembly in the year 2018. The Corporation is undergoing reorganization and restructuring to align itself to national and international levels of corporate Governance. Currently the majority staff working at the corporation are seconded from the County Government mother Ministry of Agriculture, Livestock, Cooperatives and Irrigation.

The Corporation's management and Board of Directors are in the process of formulating the necessary instruments for good corporate governance including requisite policies and corporation strategic plan. Already the corporation's logo and service charter have been developed and

KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION

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For the Financial year ending June 30th, 2021

operationalized. All these are intended to put the corporation on solid foundation to deliver on its mandate to the dairy sector in Kakamega County.

My special thanks to H.E. The Governor; the Corporation's Board of Directors; Departments of Finance and Agriculture, Livestock, Cooperatives and Irrigation; County Attorney and the entire KDDC staff for their support during the reporting period.



Signed.....

**Dr. Isaac Lubutsi,
Chief Executive Officer,
Kakamega County Dairy Development Corporation.**

7. CORPORATE GOVERNANCE STATEMENT

The Kakamega County Dairy Development Corporation (KDDC) was established by an act of County Assembly of Kakamega in the year 2018 to provide a legal framework for the development of the dairy value chain in Kakamega County.

The management of the Corporation is vested in the Board of Directors who include the Chief Officer for Agriculture, Livestock and Fisheries; Chief Officer for Finance; County Attorney; Chief Executive Officer as an ex officio member; three other independent directors appointed by the Executive Committee Member for Agriculture, Livestock and Cooperatives and a nominee of Dairy Farmers Cooperatives in the county and appointed by the Executive Committee Member.

The Chief Executive Officer is the Accounting Officer of the Corporation and is responsible to the Board for the day-to-day management of the affairs of the corporation.

Corporation is currently managed by staff seconded from the parent Department of Agriculture, Livestock, Cooperatives and Fisheries. These are: the Procurement Officer, the Accountant, the One Cow Initiative Officer, the Livestock Production Officer and the Office Administrative Officer. The total staff establishment for the corporation averages 42 staff from the CEO to the lower cadre of farm hands and security guards.

The corporation employs staff in the cadres of farm managers, drivers, farm hands, casuals and security guards on contract terms. The corporation's board is alive to the need to have the corporation employing its own well qualified staff in top management positions and will endeavour in future years to seek for funds to fulfil this mandate.

In the reporting period, the Corporation developed and approved its Official Logo and Service Charter and is in the process of developing other key instruments of governance including its five-year Strategic Plan. The Strategic plan will help the corporation set an ambition for its future activities and help determine how best to achieve these. The plan will determine the direction for corporation focusing on the corporation's efforts and ensure that everyone in the corporation is working towards a common goal.

The corporation is also in the process of developing its key corporate governance policies to guide the management achieve its mandate while providing its services. The board of management and the parent departments of Agriculture, livestock & Fisheries and Finance have been proactive in supporting and guiding the in supporting the corporation management to steer the corporation in the right direction.

The current Board of Directors was competitively recruited and legally constituted by being sworn in in the FY 2019/2020. The board also constituted three key committees with their TORs being developed within the corporation's act. These are: Technical committee (six members); Finance and Administration committee (seven members) and Audit & Risk committee (two members).

In the reporting period, Board committees were constituted, and their terms of references developed. The board held four (3 full board, 1 special) full board meetings attended by all members, five technical committee meetings; four Finance and Administration committee meetings and six Audit and Risk committee meetings.

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At the beginning of all board meetings, members were requested to declare if they had any conflict-of-interest issues on the agenda at hand.

The Board chairman is entitled to monthly honoraria of KES 50,000. Board members are paid sitting allowances of between KES 4,000 and KES 15,000 while attending board meetings. Independent Board members are also reimbursed travel allowances.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The corporation is currently implementing two major programmes namely the establishment of twelve smart dairy farms one in each of the twelve sub counties of Kakamega County and the distribution of dairy animals to targeted farmers who also pass on heifers to other farmers (One Cow Initiative). In the reporting period, the corporation has established and operationalized four smart dairy farms in Lurambi, Matungu, Lugari and Khwisero sub counties with a total of 115 dairy animals. Each smart dairy farm hosts an average of 28 dairy cows.

Since its inception in the year 2015, the corporation under the One Cow Initiative has procured and distributed 1790 dairy cows to selected beneficiaries. The selected beneficiaries have also been trained on animal husbandry practices before benefitting from the dairy cows.

In the reporting period, over 400 heifers were passed on from the dairy cows' beneficiaries to new beneficiaries within the localities. Milk production in households benefitting from dairy cows and heifer pass-ons has increased from an average of 2 litres per cow per day to 10 litres per cow per day. The benefitting households have increased their household incomes from sale of milk and their nutritional status.

In the reporting period, the Corporation operated four Smart Dairy Farms namely Bukura Smart Dairy Farm in Lurambi Sub- County, Matungu Smart dairy Farm in Matungu Sub-County, Kabras Smart Dairy Farm in Lugari Sub- County and Khwisero Smart Dairy Farm in Khwisero sub county.

Khwisero Smart Farm was operationalized in mid-June 2021 with the transfer of 26 dairy heifers from the Bukura ATC holding unit to Khwisero. These heifers worth KES 3.9 million were born and bred from the three operational farms of Bukura, Matungu and Kabras.

These farms have pedigree dairy animals in different stages of lactation and milk production. The farms are managed by farm managers employed by the Corporation. Milk produced on these farms is sold locally and revenue collected is banked in the corporation's accounts.

The Corporation's smart dairy farms are fully operated as zero grazing units with animals confined to the units and intensively fed on a mixed ratio, minerals, vitamins and water. The corporation increased its maize fodder crop from 32 acres in the first half of the financial year 2020 -21 to 52 acres of land in the second half of the same financial year. The land belongs to the corporation. The maize fodder was harvested and stored as silage.

The corporation also procures hay and supplements for the animals. The corporation is in the process of increasing the acreage of maize fodder to reduce reliance on procured feeds and for increased sustainability and cost saving.

The smart farms are managed by farm managers on yearly renewable contracts supported by farm hands, casuals and security guards.

On average the operational farms lie on between 8 to 12 acres of land belonging to the corporation. In the reporting period, the total population of animals in the four smart dairy farms averaged 115, with lactating cows averaging between 34 to 36, 20 dry cows averaging between 18 and 22, heifers and weaners averaging between 15 and 25 and calves averaging between 5 and 15.

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In this reporting period, the three operational smart farms (Bukura, Matungu, Kabras) produced a total of 57,837 litres of milk, with Bukura producing 18,991.3 litres: Matungu producing 27,3334 litres and Kabras producing 11,512 litres.

In this period, the corporation collected a total revenue of Kshs. 2,567,634.98 from the sale of milk and bull calves on the three operational farms. Bukura farm collected a revenue of Kshs. 807,131; Matungu farm collected a revenue of Kshs. 1,230,011 while Kabras farm collected a revenue of Kshs. 460,493.

The sale of bull calves netted a total of Kshs. 70,000 for the corporation in the reporting period. Sale of bull calves in Bukura netted a revenue of Kshs. 35,000; sale of bull calves netted a revenue of Kshs. 20,000 from Matungu farm while Kshs. 15,000 was realised from sale of bull calves in Kabras farm.

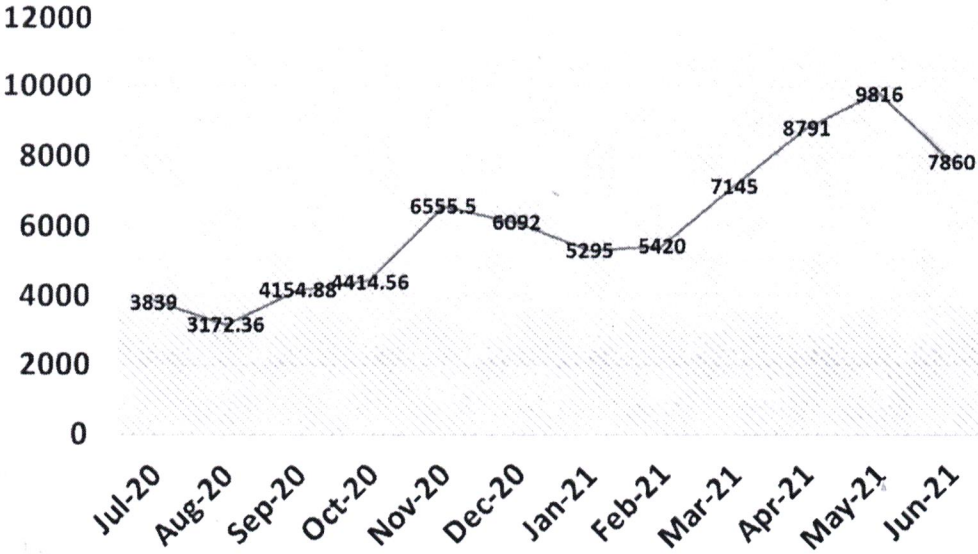
MILK PRODUCTION AND REVENUE COLLECTION -FY 2020-21					
MONTH	MILK PRODUCTION LITRES	COWS IN MILK	AVERAGE PRODUCTION PER DAY	AVERAGE PRODUCTION PER COW PER DAY	REVENUE COLLECTED KES
July 2020	3839	35	123.8	3.5	157,929.1
Augt 2020	3172.36	35	105.7	3.0	146,648.45
Sept 2020	4154.88	38	138.5	3.6	180,490.4
Oct 2020	4414.56	41	142.4	3.4	191,771.05
Nov 2020	6555.5	43	164.46	5	214,332.35
Dec 2020	6092	41	172.25	4.79	236,893.65
Jan 2021	5295	37	170.8	4.6	207,132
Feb 21	5420	34	193.57	5.64	165,003
March 21	7145	36	230.48	6.4	281,220
April 21	8791	37	293	7.9	289,640
May 21	9816	34	316.64	9.3	232,985
June 21	7860	36	262	7.27	263,590
Total	72,555.3				2,567,635

The heifers born on the three smart farms are bred and prepared for distribution to newly constructed smart farms while bull calves are sold for revenue.

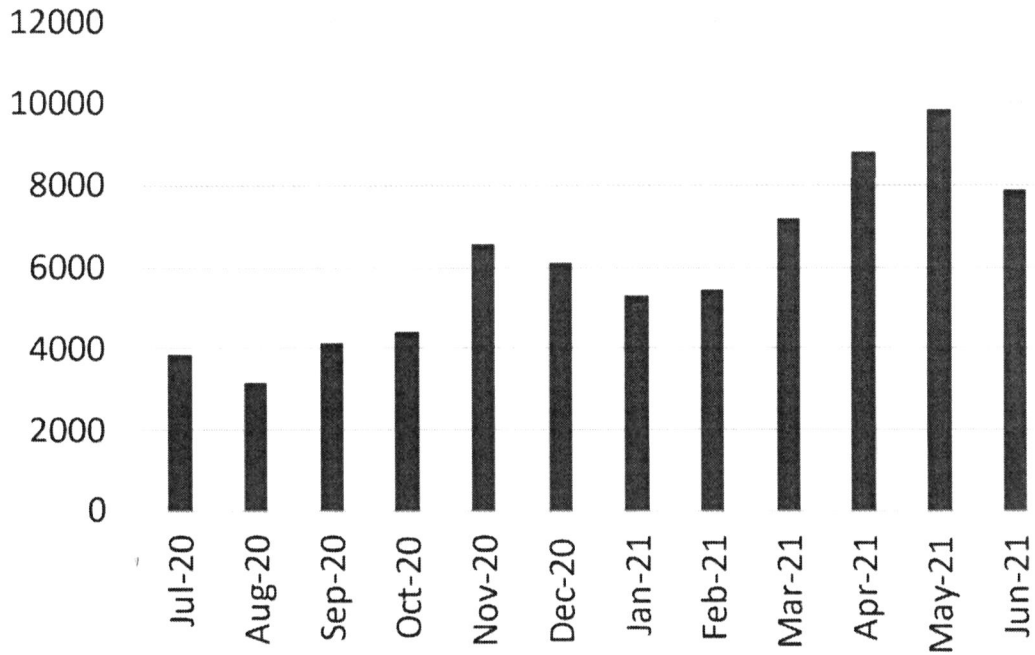
Khwisero Smart Dairy Farm was operationalized in mid-June 2021 with the transfer of 26 dairy heifers from the Bukura ATC holding unit to Khwisero. All these heifers worth 3.9 million were bred from the operational farms of Bukura, Matungu and Kabras. A farm manger, three farm hands and one security guard were recruited to support in management of Khwisero Smart Dairy Farm.

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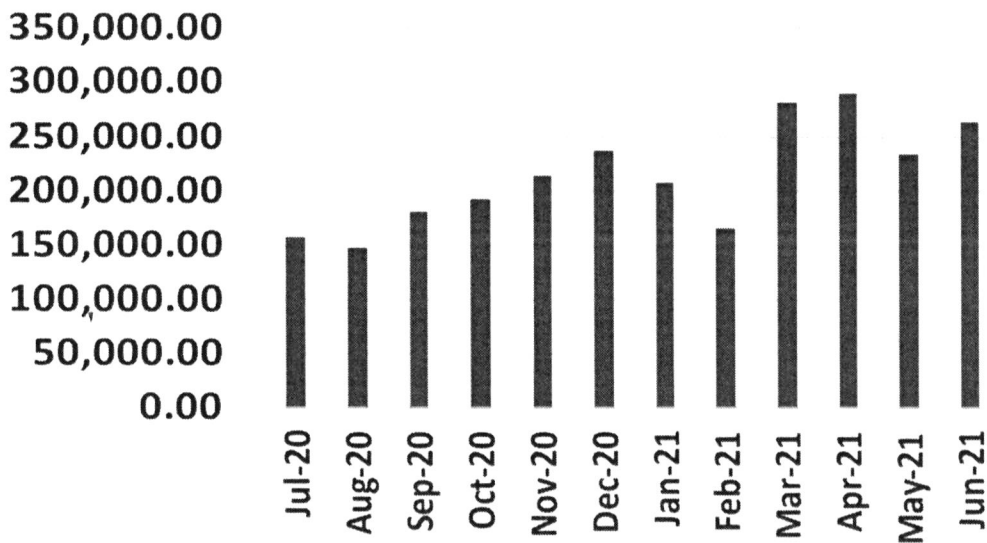
**Milk production Trend in LTS FY
2020/2021**



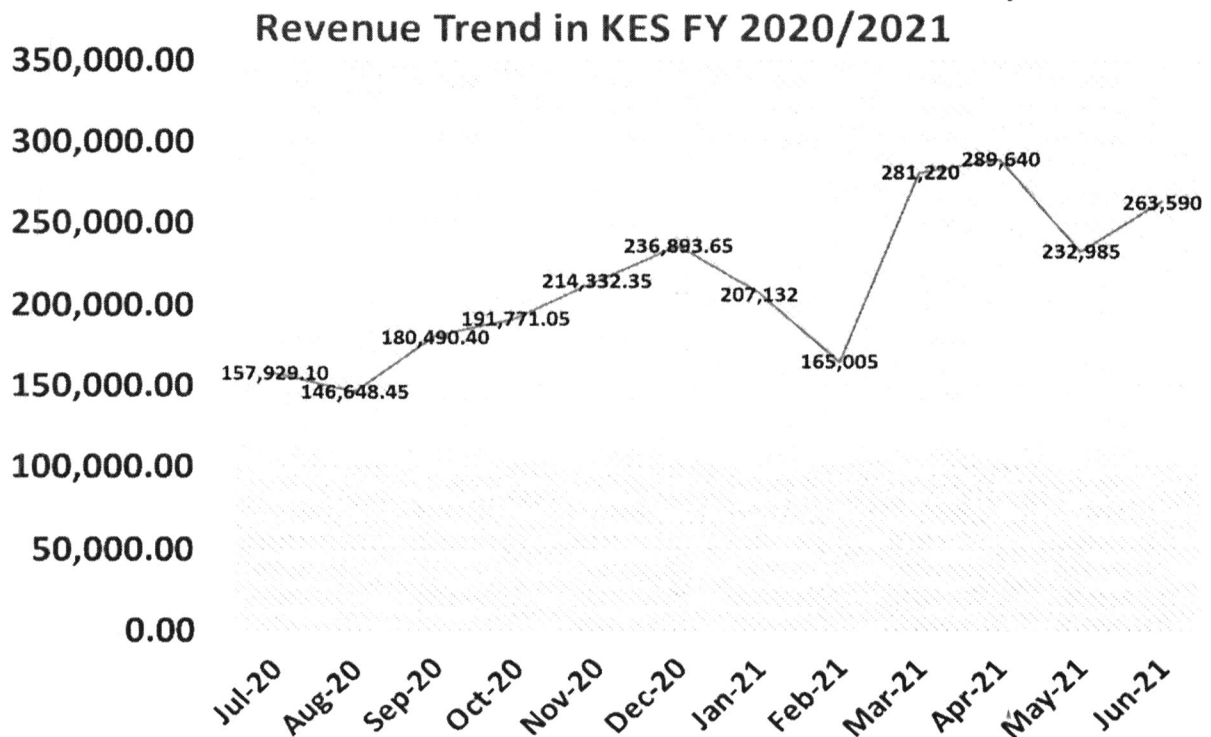
Milk production trend in Lts FY 2020/2021



Revenue collection trend in KES FY 2020/2021



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The Construction of Malimili Smart Dairy farm in Shinyalu Sub County and Malava Smart Dairy Farm in Malava Sub County commenced in the FY year 2019/2020.

The construction of Malimili Smart Dairy Farm in Shinyalu Sub County was stopped by a court order following a case filed by a litigant and the case is on-going in court.

The construction of Malava smart Dairy Farm is currently at about 30% completion for which the contractor has been paid KES 4 million for the certificate previously raised. The contractor who had abandoned site, was instructed to resume works after payment of first certificate was effected.

It is important to note that the corporation's activities were adversely affected the COVID 19 pandemic that ravaged the country in this period leading to serious disruptions in farming activities and cash flow as the National and County Governments implemented COVID 19 measures and protocols to contain the pandemic.

In this reporting period, the Corporation received Kshs. 8.5 million for recurrent and Kshs. 21.9 million for development expenditures from the County treasury against a budget of Kshs. 17 million for recurrent and 50 million for development. This represented a 50% absorption rate for recurrent and 43% rate for development. The low absorption was due to serious cash flow problems experienced by the national and county government due to COVID 19 pandemic effect on the economic performance of the two institutions.

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It is important to report that Khwisero Smart Dairy Farm was operationalized in this reporting period following the transfer of 26 dairy heifers valued at KES 3.9 million from Bukura ATC dairy holding unit to Khwisero. All these heifers were born and bred from the operational farms of Bukura, Matungu and Kabras. A farm manager, three farm hands and one security guard were recruited to support in management of the farm.

The Corporation's management and Board of Directors are in the process of formulating the necessary instruments for good corporate governance including requisite policies and corporation strategic plan. Already the corporation's logo and service charter have been developed and operationalized. All these are intended to put the corporation on solid foundation to deliver on its mandate to the dairy sector in Kakamega County.

The Corporation is in its formative stages of inception and is developing key instruments for a sound and solid foundation to enable it deliver on its mandate. It is also undergoing restructuring at the management level to attain national and international standards of corporate governance. The CEO and the Board of Directors will endeavour to achieve relevant strategies, development of strategic plan and policies that will create a sound foundation for service delivery to dairy stakeholders in Kakamega County.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile:

The Corporation has already developed its service charter and is in the process of developing its five-year Strategic Plan.

The corporation in its implementation of farming activities is already using its own land to grow fodder for its animal feeds thus reducing cost of feed inputs. The Corporation's Smart Farms are open to locals living nearby, schools and institutions for learning visits and tours. The Corporation is also allowing students from various colleges in the county to carry out internship activities on our farms and headquarters. All the milk produced on our farms is sold to the local community at reasonable rates.

The milk produced on the Smart Dairy Farms is sold to the local community and revenue banked to sustain the Corporation's activities. The male bull calves born on the farm are sold and revenue banked while female calves are raised into heifers that are later distributed to newly constructed Smart Farms thus saving the corporation cash that would have been used to procure cows from outside.

The completed Corporation's Smart Farms intend to feed into the Dairy Plant being constructed in Malava sub-county by providing milk to the plant for processing. This will provide a stable market for milk from the Smart Farms and revenue for the Corporation.

2 Environmental performance:

The Corporation is in the process of developing its five-year strategic plan and its environmental policy which will also be captured in this plan. However, all the corporation's completed, on-going and planned projects comply with requisite environmental laws and seek approval from bodies implementing environmental laws including NEMA and department of Public Health. Our staff are also well trained on issues of biodiversity, biosecurity and waste management especially on our dairy smart farms.

The Corporation intends to develop and embed environmental policy in future as it develops into a strong corporation.

The operational smart farms collect animal waste which is stored in carefully designed slurry pits. The slurry waste is spread after maturity into the fodder farms to improve manure content and reduce on use of chemical/commercial fertilizers.

3 Employee welfare:

The corporation is currently relying on seconded staff from the parent ministry of Agriculture, Livestock, Fisheries and Cooperatives. The corporation also hires farm managers, farm hands and casuals on contract terms, renewable based on performance.

The Corporation intends to develop its policies guiding staff hiring process, job descriptions, terms of references and performance contracting. The current staff conform to Public Service hiring and appraisal policies. The ministry has respected the gender ratio while seconding this staff to the corporation. The Corporation has also applied the gender ratio while hiring farm managers and farmhands/casuals.

The Corporation management conducts monthly meetings with all staff allowing them to share their success stories and challenges while preparing monthly work plans. Where possible and when resources allow, the corporation's staff attend short courses, professional development courses, workshops and seminars to improve their skills and work performance.

The Corporation is also in compliance with Occupational Safety and Health Act of 2007 on all its farms and headquarters office.

Statutory deductions of NSSF and NHIF were deducted monthly and remitted to respective authorities.

4 Market place practices:

- a) The Corporation being a county agency has trained all its staff on code of conduct of public servants and the Ethics and Anticorruption Act. The Corporation is funded by the public funds and ensures high standards of corporate governance. Our farm products are fairly priced and even attract young Kenyans who buy milk from the corporation and continue to retail it at a profit to the public.
All the corporation's staff conform and adhere to the public service code of conduct and remain apolitical while delivering services to the public.
- b) The Corporation being a public entity works within structures created by the national and county governments that govern public procurement. The Corporation works within the confines of public procurement act and public finance management act. The corporation respects its suppliers and is open to scrutiny in the public procurement process. Our procurement officer is regularly allowed to attend trainings and workshops that help her improve skills in public procurement management.
- c) The Corporation sells milk which is its major product at reasonable market rate prices ensuring that it does not undercut upcoming dairy farmers in the locality.
- d) All the Corporation's smart farms are managed with consumer rights and interests as a first considering. They adhere to public health regulations and guidelines while producing and selling milk products.

5 Community Engagements:

The KDDC Act of 2018 mandates the corporation to construct and operationalize Smart dairy farms as centres of excellence in the dairy value chain. The smart farms are centres of learning for local farmers, schools and other institutions. The Smart farms are open to students from local schools and institutions for learning visits and tours. The smart farms also admit students from agricultural colleges across the country for internships while the head office also admits students undertaking finance and procurement courses for internship. Bukura Smart farm is a major client to Ekapwonje Self-help group water project where it gets its water supply from. Matungu smart farm has offered part of its unused land to the neighbouring Matungu Polytechnic for student agricultural demonstration plots.

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10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are,

- I. Engage in the commercial rearing and breeding of dairy livestock.
- II. Develop, promote and adopt the best practices in the dairy value chain.
- III. Create a ready market for milk for dairy farmers.
- IV. Develop and maintain a milk processing plant in the County.
- V. Undertake and promote research in the field of dairy farming.
- VI. Promote or assist in the setting up of dairy training facilities.
- VII. Provide advisory services to stakeholders of dairy farming.
- VIII. Implement and manage the dairy livestock incentives through the cooperative societies.
- IX. Facilitate and negotiate concessions for dairy farming input.
- X. Facilitate acquisition of farm inputs and machinery subsidy.
- XI. Carry out such other functions as may be assigned to it by this Act or any other written
- XII. Promote Dairy Cooperative activities within the County.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 1 to 20

10.3 Trustees

The members of the Board of Directors who served during the year are shown on page V In accordance with Regulation of the Kakamega County Dairy Development Corporation's Act of 2018

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Kakamega County Dairy Development Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Sign:

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Name: DR. DICKENS MALANZA CHIBEU

Chair of the Board/ Fund *Administration Committee*

Date: 29/09/2021



11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by the Act of the County Assembly 2018 and shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. 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 fund; (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 fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and an act of Kakamega County assembly 2018. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

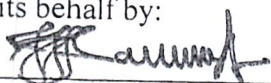
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In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

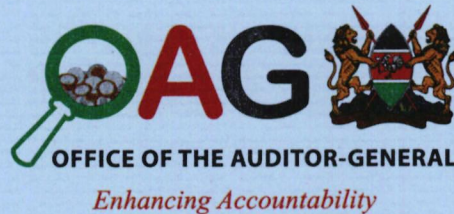
The Fund's financial statements were approved by the Board on 29/09/ 2021 and signed on its behalf by:



Name: Dr. Isaac Lubati
Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY DAIRY DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Dairy Development Corporation set out on pages 35 to 92, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant

accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kakamega County Dairy Development Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012, and Kakamega County Dairy Development Corporation Act, 2018.

Basis for Adverse Opinion

1. Inaccuracies of the Financial Statements

The financial statements for the year ended 30 June, 2021, revealed the following inaccuracies:

- i. The statement of comparison of budget and actual amounts indicates a final budget of Kshs.66,063,034 while the approved budget for 2020/2021 reflects Kshs.36,063,034. The resultant variance of Kshs.30,000,000 was unexplained.

Further, actual expenditure of Kshs.3,694,249 under general expenses, which differs from Kshs.26,883,856 reflected in the statement of financial performance. The resultant variance of Kshs.23,189,607 was unexplained.
- ii. The statement of cash flows reflects Kshs.9,391,252 incurred on purchase of property, plant and equipment and intangible assets, while Note 15 on property, plant and equipment shows nil additions to assets during the year.
- iii. The statement of financial performance reflects Kshs.26,883,856 under general expenses which includes Kshs.1,743,572 as disclosed under Note 7, relating to depreciation and amortization costs which is at variance with the nil balance shown under Note 15. In addition, the depreciation policy used to determine the depreciation expense for the year was not disclosed.

Note 15 to the financial statements reflects property, plant and equipment balances for cost of assets as at 30 June, 2020, which are at variance with the corresponding comparative balances reflected in the audited financial statements for the 2019/2020 financial year, as shown below:

Asset	Comparative Balances in the 2020/2021 Financial Statements (Kshs.)	Balances in the 2019/2020 Audited Financial Statements (Kshs.)	Variance (Kshs.)
Land and Buildings	39,291,241	34,517,277	4,773,964
Motor Vehicles	4,395,000	5,860,000	(1,465,000)
Furniture and Fittings	2,228,021	207,794	2,020,227

Asset	Comparative Balances in the 2020/2021 Financial Statements (Kshs.)	Balances in the 2019/2020 Audited Financial Statements (Kshs.)	Variance (Kshs.)
Computers and Office Equipment	2,742,525	3,656,700	(914,175)

In the circumstances, the accuracy of the financial statements could not be confirmed.

2. Inaccuracy of Fund Administration Expenses

The statement of financial performance reflects expenditure of Kshs.6,572,314 under fund administration expenses which is at variance with the amount of Kshs.6,513,314 reflected in supporting schedules. The variance of Kshs.59,000 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the fund administration expenses amounting to Kshs.6,572,314 could not be confirmed.

3. Inaccuracies of Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,474,367 which, as disclosed in Note 10, which relates to balances held in two bank accounts. However, cash books for the two accounts do not indicate dates of payments, particulars/details of the payments, cheque numbers and payment voucher numbers

In addition, the bank reconciliation statements for the two accounts reflect unrepresented cheques totalling Kshs.15,946,246 for which cheque numbers and the particulars of payments are not indicated.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.6,474,367 could not be confirmed.

4. Inaccuracies of Transfers to County Treasury

The statement of financial performance reflects expenditure of Kshs.1,140,000 under Transfers which, as disclosed in Note 8A, represents transfers to County Treasury. However, no documentary evidence, including acknowledgement receipts, was provided to support the transfers.

In the circumstances, the accuracy and completeness of the transfers amount of Kshs.1,140,000 could not be confirmed.

5. Property, Plant and Equipment

5.1 Inappropriate Presentation and Lack of Ownership of Land and Buildings

The statement of financial position reflects a property, plant and equipment balance of Kshs.46,913,215 which, as shown under Note 15, includes a balance of Kshs.38,063,389

relating to land and buildings. However, the assets of land and buildings were not reflected separately in the financial statements as required by the reporting template issued by the Public Sector Accounting Standards Board. In addition, ownership documents for the land were not provided for audit review.

In the circumstances, the accuracy, correct valuation, presentation and ownership of the land and buildings balance of Kshs.38,063,389 could not be confirmed.

5.2 Failure to Update Assets Register

Review of the assets register revealed that all the assets acquired during the year costing Kshs.9,391,252, as reflected in the statement of cash flows, were not recorded in the assets register. Further, the register was not updated as it did not disclose the year of acquisition and cost of acquisition of the reflected assets.

In the circumstances, the accuracy, completeness and correct valuation of the assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Dairy Development Corporation Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts indicates that the Corporation had an approved budget of Kshs.66,063,034, but realized actual receipts of Kshs.32,983,610 (or about 50%). The resultant difference of Kshs.33,079,424 was unexplained.

Further, out of Kshs.32,983,610 received, actual expenditure was Kshs.39,935,401. The source of the excess funds of Kshs.6,951,791 was not explained.

The underfunding on budget affected the planned activities and may have negatively impacted on service delivery to the public

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in Use of Public

Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

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 Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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

Irregularities in Procurement of Smart Farm in Malava

Review of records revealed that the Management paid a total of Kshs.3,435,244 to a local contractor to undertake the construction of a smart farm in Malava Sub-County. The contract signed on 2 April, 2020, at a contract sum of Kshs.16,664,026 and contract period of sixteen (16) weeks, commencing immediately, and scheduled for completion on 2 August, 2020. However, the opening tender minutes were not initialed on each page by the tender opening committee members to confirm authenticity. In addition, both the monthly progress reports and the performance bond were not provided for audit review.

Audit inspection in November, 2021, revealed that the project was not yet complete. The contractor had only completed the fodder store and prefab house, although the two structures were poorly constructed with huge cracks visible on the floor and ridges not fixed on the structures as per the requirement of the bill of quantities.

Further, the contractor requested for a twelve (12) months extension vide a letter dated 5 February, 2021. No evidence was provided to indicate that the request was granted.

In the circumstances, the Management is in breach of the law, while value for money on Kshs.3,435,244 incurred in the implementation of the project could not be confirmed.

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 Adverse Opinion section of my report, based on

the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing Corporation's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation or to cease operations.

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 Corporation's financial reporting process, reviewing the effectiveness of how the Management 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 overall 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Corporation's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the 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 Corporation to cease to continue to sustain 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 Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 September, 2022

13. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

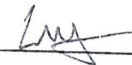
	Note	2020/2021 KShs	2019/2020 KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	30,415,975.00	59,322,792.00
Fines, penalties and other levies	3	0.00	0.00
		30,415,975.00	59,322,792.00
Revenue from exchange transactions			
Interest income	4	0.00	0.00
Other income	5	2,567,635.00	1,725,842.00
		2,567,635.00	1,725,842.00
Total revenue		32,983,610.00	61,048,634.00
Expenses			
Fund administration expenses	6	6,572,314.00	4,441,811.00
General expenses	7	26,883,856.00	23,917,945.00
Finance costs	8	0.00	0.00
Transfers	8A	1,140,000.00	6,500,000.00
Acquisition of Biological Assets (Heifers)	8B	0.00	35,235,473
Total expenses		34,596,170.00	70,095,229.00
Other gains/losses			
Gain/loss on disposal of assets	9	0.00	0.00
Surplus/(deficit) for the period		(1,612,560.00)	(9,046,595.00)

The notes set out on pages 63 to 94 form an integral part of these Financial Statements.



Administrator of the Fund

Name: *Dr. Isaac Lubutu*



Fund Accountant

Name: *CRA. VITALIS LAUAD*


ICPAK Member Number: *23079*

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	No	2020/2021	2019/2020
	te	KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	6,474,367.00	17,478,178.00
Current portion of long- term receivables from exchange transactions	11	0.00	0.00
Receivables from Non- exchange transactions	12	0.00	0.00
Prepayments	13	0.00	0.00
Inventories	14	0.00	0.00
		6,474,367.00	17,478,178.00
Non-current assets			
Long term receivables from exchange transactions	11	0.00	0.00
Property, plant and equipment	15	46,913,215.00	37,521,963.00
Intangible assets	16	0.00	0.00
		46,913,215.00	37,521,963.00
Total assets		53,387,581.00	55,000,141.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	0.00	0.00
Provisions	18	0.00	0.00
Current portion of borrowings	19	0.00	0.00
Employee benefit obligations	20	0.00	0.00
		0.00	0.00
Non-current liabilities			
Long term portion of borrowings	19	0.00	0.00
Non-current employee benefit obligation	20	0.00	0.00
Total liabilities		0.00	0.00
Net assets		53,387,581.00	55,000,141.00
Revolving Fund		64,046,735.00	64,046,735.00
Reserves		0.00	0.00
Accumulated surplus		(10,659,154.00)	(9,046,594.00)
Total net assets and liabilities		53,387,581.00	55,000,141.00

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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 29/09 2021 and signed by:



Administrator of the Fund

Name: Dr. Isaac Lubuti



Fund Accountant

Name: CPA. VITALIS LAVIS

ICPAK Member Number: 23079

13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Revaluati on Reserve KShs	Accumulated surplus KShs	Total KShs
Balance as at 1 July 2019	64,046,735.00	0.00	0.00	64,046,735.00
Surplus/(deficit) for the period	0.00	0.00	(9,046,595.00)	(9,046,595.00)
Funds received during the year	0.00	0.00	0.00	0.00
Revolving Fund	0.00	0.00	0.00	0.00
Balance as at 30 June 2020	64,046,735.00	0.00	(9,046,595.00)	55,000,140.00
Balance as at 1 July 2020	64,046,735.00	0.00	(9,046,595.00)	55,000,140.00
Surplus/(deficit) for the period	0.00	0.00	(1,612,560.00)	(1,612,560.00)
Funds received during the year	0.00	0.00	0.00	0.00
Revaluation gain	0.00	0.00	0.00	0.00
Balance as at 30 June 2021	64,046,735.00	0.00	(10,659,155.00)	53,387,580.00

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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

Cash flows from operating activities			
Receipts			
Public contributions and donations	1	0.00	0.00
Transfers from the County Government	2	30,415,975.00	59,322,792.00
Interest received	4	0.00	0.00
Receipts from other operating activities	5	2,567,635.00	1,725,842.00
Total Receipts		32,983,610.00	61,048,634.00
Payments			
Fund administration expenses	6	6,572,314.00	4,441,811.00
General expenses	7	26,883,856.00	17,198,136.00
Finance cost	8	0.00	0.00
Transfers	8A	1,140,000.00	6,500,000.00
Acquisition of Biological Assets (Heifers)	8B	0.00	35,235,473.00
Total Payments		34,596,170.00	63,375,420.00
Net cash flows from operating activities		(1,612,560.00)	(2,326,786.00)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	(9,391,252.00)	(14,725,064.00)
Proceeds from sale of property, plant and equipment		0.00	0.00
Proceeds from loan principal repayments		0.00	0.00
Loan disbursements paid out		0.00	0.00
Net cash flows used in investing activities		(9,391,252.00)	(14,725,064.00)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0.00	0.00
Additional borrowings		0.00	0.00
Repayment of borrowings		0.00	0.00
Net cash flows used in financing activities		0.00	0.00
Net increase/(decrease) in cash and cash equivalents		(11,003,811.00)	(17,051,850.00)
Cash and cash equivalents at 1 JULY	10	17,478,178.00	34,530,028.00
Cash and cash equivalents at 30 JUNE	10	6,474,367	17,478,178

The cash flow statement has been prepared using direct method

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Administrator of the Fund

Name: *Dr. Isaac Lubuti*



Fund Accountant

Name: CPA. VITALIS KAVISO

ICPAK Member Number: 23079

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	0.00	0.00	0.00	0.00	0.00
Transfers from County Govt.	67,413,034	(1,350,000)	66,063,034	30,415,975	46
Interest income	0.00	0.00	0.00	0.00	0.00
Other income	0.00	0.00	0.00	2,567,635	0.00
Total income	67,413,034	(1,350,000)	66,063,034	32,983,610	50
Expenses					
Fund administration expenses	8,412,000	0.00	8,412,000	6,513,514	77
General expenses	9,001,034	(1,350,000)	7,651,034	3,694,249.31	48
Finance cost	0,00	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	0.00	1,140,000	
Development expenses	50,000,000	0.00	50,000,000	28,587,638	57
Total expenditure	67,413,034	(1,350,000)	66,063,034	39,935,401	60
Surplus for the period					

Budget notes

1. Other income revenues was generated from sale of milk and bulls, initially it had not budgeted for but in subsequent years it will be budget.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund'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 Fund. 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	there was no impact

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p>

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Standard	Effective date and impact
	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. 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.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in these financial statements.

5. Property, plant and equipment

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

2. Intangible assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) 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, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

4. 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

5. 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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

6. Nature and purpose of reserves

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

7. 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.

8. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

9. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

10. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

11. 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 directors/Trustee, the Fund Managers and Fund Accountant.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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 in 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.

13. Comparative figures

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

14. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

15. Ultimate and Holding Entity

The entity is a County Public Fund established by County Assembly under the Department of Agriculture, Livestock, Fisheries and Corporative. Its ultimate parent is the County Government of Kakamega.

16. Currency

The financial statements are presented in Kenya Shillings (KShs).

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. 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.

a) 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. IPSAS 1.140.

b) 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
- v) Changes in the market in relation to the asset

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

18. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2020				
Receivables from exchange transactions	0.00	0.00	0.00	0.00
Receivables from non-exchange transactions	0.00	0.00	0.00	0.00
Bank balances	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2020	0.00	0.00	0.00	0.00
Trade payables	0.00	0.00	0.00	0.00
Current portion of borrowings	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00
Employee benefit obligation	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies KShs	Total KShs
At 30 June 2021			
Financial assets	0.00	0.00	0.00
Investments	0.00	0.00	0.00
Cash	0.00	0.00	0.00
Debtors/ receivables	0.00	0.00	0.00
Liabilities	0.00	0.00	0.00
Trade and other payables	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Net foreign currency asset/(liability)	0.00	0.00	0.00

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	0.00	0.00
USD	10%	0.00	0.00
2020		0.00	0.00
Euro	10%	0.00	0.00
USD	10%	0.00	0.00

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

f) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	0.00	0.00
Revolving fund	0.00	0.00
Accumulated surplus	0.00	0.00
Total funds	0.00	0.00
Total borrowings	0.00	0.00
Less: cash and bank balances	0.00	0.00
Net debt/(excess cash and cash equivalents)	0.00	0.00
Gearing	0.00%	0.00%

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Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	0.00	0.00
Contributions from the public	0.00	0.00
Total	0.00	0.00

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	30,415,975.00	59,322,792.00
Payments by County on behalf of the entity	0.00	0.00
Total	30,415,975.00	59,322,792.00

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	0.00	0.00
Fines	0.00	0.00
Levies	0.00	0.00
Licences	0.00	0.00
Total	0.00	0.00

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	0.00	0.00
Interest income from car loans	0.00	0.00
Interest income from investments	0.00	0.00
Interest income on bank deposits	0.00	0.00
Total interest income	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Sale of Milk	0.00	1,725,842.00
Bukura Smart Farm	842,131.00	0.00
Matungu Smart Farm	1,250,011.00	0.00
Kabras Smart Farm	475,493.00	0.00
Khwisero Smart Farm	0.00	0.00
Total other income	2,567,635.00	1,725,842.00

Bukura Smart dairy farm sold 18991lts of Milk at an Average price of KES 42.5perLt
 Matungu Smart dairy Farm sold 27334 Lts of milk at an average of KES 45 per Lt
 Kabras Smart Dairy Farm sold 11512 Lts of milk at an average price of KES 40 per Lt

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	3,742,614.00	2,781,811.00
Loan processing costs	0.00	0.00
Professional services costs	0.00	0.00
Board Members allowances	2,229,700.00	1,060,000.00
Honoraria	600,000.00	600,000.00
Total	6,572,314.00	4,441,811.00

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	3,742,614.00	2,781,811.00
Staff gratuity	0.00	0.00
Staff training expenses	0.00	0.00
Honoraria	0.00	0.00
Other staff costs	0.00	0.00
Total	3,742,614.00	2,781,811.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables-Supplies for production	17,452,809.00	12,321,484.00
Utilities supplies and services	713,250.00	644,105.00
Communication supplies and services	219,264.00	251,892.00
Domestic Travel and subsistence	4,175,936.00	1,185,980.00
Publishing and printing services	95,905.00	152,353.00
Hospitality supplies and services	952,545.00	971,689.00
General office supplies(papers, pencils)	580,998.00	443,606.00
Bank charge	36,035.00	37,035.00
Refined fuels, lubricants for transport	424,221.00	986,038.00
Maintenance - motor vehicles & cycles, Building and Stations	489,322.00	203,954.00
Depreciation and amortization costs	1,743,572.00	6,719,809.00
Total	26,883,856.00	23,917,945.00

8. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts	0.00	0.00
Interest on loans from banks	0.00	0.00
Total	0.00	0.00

8A Transfers

Description	2020/2021	2019/2020
	KShs	KShs
Transfer to County Treasury	1,140,000.00	6,500,000.00
Total	1,140,000.00	6,500,000.00

8B Acquisition of Assets

Description	2020/2021	2019/2020
	KShs	KShs
Purchase of Animals	0.00	35,235,473.00
Total	0.00	35,235,473.00

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9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property, plant and equipment	0.00	0.00
Intangible assets	0.00	0.00
Total	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Kenya Commercial bank	3,997,675.00	11,865,210.00
Kenya Commercial bank	2,476,692.00	1,059,308.00
Kenya Commercial Bank-Cash	0.00	4,553,660.00
Total cash and cash equivalents	6,474,367.00	17,478,178.00

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Current account			
Kenya Commercial bank	1174166983	3,997,675.00	11,865,210.00
Kenya Commercial bank	1211938727	2,476,692.00	1,059,308.00
Kenya Commercial bank	1174166983	0.00	4,553,660.00
Sub- total		6,474,367.00	17,478,178.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	0.00	0.00
Current loan repayments due	0.00	0.00
Other exchange debtors	0.00	0.00
Less: impairment allowance	0.00	0.00
Total Current receivables	0.00	0.00
Non-Current receivables		
Long term loan repayments due	0.00	0.00
Total Non- current receivables	0.00	0.00
Total receivables from exchange transactions	0.00	0.00

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	0.00	0.00
Accrued interest receivable from of long-term loans of previous years	0.00	0.00
Interest receivable from current portion of long-term loans issued in the current year	0.00	0.00
Current loan repayments due		
Current portion of long-term loans from previous years	0.00	0.00
Accrued principal from long-terms loans from previous periods	0.00	0.00
Current portion of long-term loans issued in the current year	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	0.00	0.00
Transfer from Fund	0.00	0.00
Total receivables from non-exchange transactions	0.00	0.00

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	0.00	0.00
Prepaid insurance	0.00	0.00
Prepaid electricity costs	0.00	0.00
Other prepayments(specify)	0.00	0.00
Total	0.00	0.00

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	0.00	0.00
Spare parts and meters	0.00	0.00
Catering	0.00	0.00
Other inventories(specify)	0.00	0.00
Total inventories at the lower of cost and net realizable value	0.00	0.00

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15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	30,202,618.00	4,395,000.00	181,820.00	2,742,525.00	37,521,963.00
Additions	9,088,623.00	0.00	2,046,201.00	0.00	11,134,824.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfers/adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2020	39,291,241.00	4,395,000.00	2,228,021.00	2,742,525.00	48,656,787.00
At 1st July 2020	39,291,241.00	4,395,000.00	2,228,021.00	2,742,525.00	48,656,787.00
Additions	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Transfer/adjustments	0.00	0.00	0.00	0.00	0.00
At 30th June 2021	39,291,241.00	4,395,000.00	2,228,021.00	2,742,525.00	48,656,787.00
Depreciation and impairment					
At 1 st July 2019	1,227,851.00	274,688.00	69,626.00	171,408.00	1,743,572.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
At 30th June 2020	1,227,851.00	274,688.00	69,626.00	171,408.00	1,743,572.00
At 1st July 2020	1,227,851.00	274,688.00	69,626.00	171,408.00	1,743,572.00
Depreciation	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00
Transfer/adjustment	0.00	0.00	0.00	0.00	0.00

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 30th June 2021	1,227,851.28	274,687.50	69,625.66	171,407.81	1,743,572.25
Net book values					
At 30th June 2020	30,202,618.00	4,395,000.00	181,820.00	2,742,525.00	37,521,963.00
At 30th June 2021	38,063,389.00	4,120,313.00	2,158,395.00	2,571,117.00	46,913,215.00
	12.5	25	12.50	25.00	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year	0.00	0.00
Additions	0.00	0.00
At end of the year	0.00	0.00
Amortization and impairment		
At beginning of the year	0.00	0.00
Amortization	0.00	0.00
At end of the year	0.00	0.00
Impairment loss	0.00	0.00
At end of the year	0.00	0.00
NBV	0.00	0.00

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	0.00	0.00
Refundable deposits	0.00	0.00
Accrued expenses	0.00	0.00
Other payables	0.00	0.00
Total trade and other payables	0.00	0.00

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)	0.00	0.00	0.00	0.00
Additional Provisions	0.00	0.00	0.00	0.00
Provision utilised	0.00	0.00	0.00	0.00
Change due to discount and time value for money	0.00	0.00	0.00	0.00
Transfers from non -current provisions	0.00	0.00	0.00	0.00
Balance at the end of the year (30.06.2021)	0.00	0.00	0.00	0.00

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19. Borrowings

Description	2020/2021 KShs	2019/2020 KShs
Balance at beginning of the period	0.00	0.00
External borrowings during the year	0.00	0.00
Domestic borrowings during the year	0.00	0.00
Repayments of external borrowings during the period	0.00	0.00
Repayments of domestic borrowings during the period	0.00	0.00
Balance at end of the period	0.00	0.00

The table below shows the classification of borrowings into external and domestic borrowings:

Description	2020/2021 KShs	2019/2020 KShs
External Borrowings		
Dollar denominated loan	0.00	0.00
Sterling Pound denominated loan	0.00	0.00
Euro denominated loan	0.00	0.00
Domestic Borrowings	0.00	0.00
Kenya Shilling loan from KCB	0.00	0.00
Kenya Shilling loan from Barclays Bank	0.00	0.00
Kenya Shilling loan from Consolidated Bank	0.00	0.00
Borrowings from other government institutions	0.00	0.00
Total balance at end of the year	0.00	0.00

The table below shows the classification of borrowings long-term and current borrowings:

Description	2020/2021 KShs	2019/2020 KShs
Short term borrowings(current portion)	0.00	0.00
Long term borrowings	0.00	0.00
Total	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	0.00	0.00	0.00	0.00
Non-current benefit obligation	0.00	0.00	0.00	0.00
Total employee benefits obligation	0.00	0.00	0.00	0.00

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	0.00	0.00
Adjusted for:	0.00	0.00
Depreciation	0.00	0.00
Amortisation	0.00	0.00
Gains/ losses on disposal of assets	0.00	0.00
Interest income	0.00	0.00
Finance cost	0.00	0.00
Working Capital adjustments	0.00	0.00
Increase in inventory	0.00	0.00
Increase in receivables	0.00	0.00
Increase in payables	0.00	0.00
Net cash flow from operating activities	0.00	0.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government of Kakamega
- b) Ministry of Agriculture Livestock and Fisheries
- c) County Assembly of Kakamega
- d) Key management;
- e) Board of Directors

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	0.00	0.00
Transfers to related parties	0.00	0.00

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	0.00	0.00
Key Management Compensation	0.00	0.00
Total	0.00	0.00

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d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	0.00	0.00
Due from County Government	0.00	0.00
Due from County Assembly	0.00	0.00
Total	0.00	0.00

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	0.00	0.00
Due to County Government	0.00	0.00
Due to Key management personnel	0.00	0.00
Due to County Assembly	0.00	0.00
Total	0.00	0.00

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case against the Fund	0.00	0.00
Bank guarantees	0.00	0.00
Total	0.00	0.00

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15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S 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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>1. Presentation and Disclosure</p> <p>The financial statements submitted for audit were not prepared in accordance with International Public Sector Accounting Standards (IPSAS) –Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB). The statements indicate that they have been prepared in accordance with the International Financial Reporting Standards (IFRS) framework instead of IPSAS (Accrual) as required under Section 22 of the Kakamega County Dairy and Development corporation Act, 2018 which states that within a period of three months after the end of each financial year, the Board shall submit to the Auditor-General the accounts of the corporation in respect of that year together with a statement of the income and expenditure of the corporation during that year; and a statement of the assets and liabilities of the corporation on the last day of that financial year.</p> <p>Details on the Corporation management including positions held, responsibilities and board of directors, including their bio data, experience and passport photos for three (3) of them have not been provided as required by the prescribed reporting format. In addition, the report on Corporation performance against predetermined objectives has not been included in the report and financial statements as required.</p> <p>Although the corporate governance statement and management discussion and analysis have been included in the financial statements, they do not give adequate details as per the guidelines provided by the PSASB. Also, the fiduciary oversight arrangements have not been identified, described or explained.</p> <p>A statement of profit or loss and other comprehensive income has been prepared instead of a</p>		<p>The three officers who had not provided the passport size are the County staff whose details are already in their personal files this are-</p> <ul style="list-style-type: none"> i).Moses Sande-County Attorney ii).Dr. Kelly Nelima-Chief Officer Livestock and fisheries iii).CPA,Amb.JamesOchami - Chief Officer Finance and Economic planning <p>The statement of Corporation performance against predetermined objectives has been included in Chairman’s and Directors statements; however in subsequent</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>statement of financial performance.</p> <p>In addition, the significant accounting policies have been replicated as given in the prescribed reporting format without customizing them to the nature and operations of the Corporation. Further, the financial statements and accompanying notes include blank disclosures that do not reveal or support any balances and do not therefore provide any information to the intended users of the financial statements.</p> <p>Disclosures of the projects implemented and the details of inter-entity transfers together with the recordings of the transfers from other government entities have also not been provided.</p> <p>Consequently, the financial statements as presented did not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).</p>		<p>financial statements we shall be reporting separating.</p> <p>Corporate governance statement and management discussion and analysis will be improved on in the subsequent financial statements.</p> <p>The template provided by the PSASB requires the entity to prepare a statement of profit or loss and other comprehensive income as prescribed in the financial statements.</p> <p>The blank spaces have been deleted and proper formatting done.</p> <p>Disclosures of the projects implemented will be included in the subsequent financial</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
			statements, the details of inter- entity transfers together with the recordings of the transfers from other government entities have been provided in the financial statements on page no 34.	
2	<p>2. Transfers from the County Government</p> <p>The statement of financial performance reflect transfers from County Treasury amount of Kshs.59,322,792 for the year ended 30 June 2020 which is indicated in note no.1 to the financial statements as payments by the County on behalf of the entity , while the financial statements of the County Executive of Kakamega for the same period disclose amount transferred to the Corporation of Kshs.40,322,792 resulting to an unexplained variance of Kshs.19,000,000. In addition, all the amount has been recognized as income yet part of it was supposed to be applied towards capital development.</p> <p>Consequently, the completeness and accuracy of the transfers from county government figure of Kshs.59,322,792 for the year ended 30 June 2020 could not be confirmed.</p>		<p>Note no 1 indicates a figure of Ksh59,322,792 as transfers from treasury to KDDC but not payments made on behalf of the entity.</p> <p>In the financial statements of the County Executive the amount of 19 million had already been recognized in the financial year 2018/2019 since it was disbursed during the closure of the year 2018/2019 June and KDDC received at the start of the year 2019/2020.</p>	

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				The amount is recognized as income in the statement of profit and loss account and on the payment side of the profit and loss account it is recognized as a capital expense since it is used on development purposes.
3	<p>3. Transfers</p> <p>The statement of financial performance reflects transfers of Kshs.6,500,000 disclosed in note 5 to the financial statements as transfers to the county treasury for the year ended 30 June 2020. Although the amount was transferred from the revenue collection account, the financial statements of the Corporation do not disclose such amount as revenue generated from operations of the entity and no reason has also been provided for the transfer has not been explained. In addition, the financial statements of County Executive of Kakamega have not recorded the transfer as a receipt. Consequently, the accuracy and occurrence of the transfer of Kshs.6,500,000 for the year ended 30 June 2020 cannot be confirmed.</p>			The Ksh 6.5M transferred to County treasury is part of balance c/f from previous financial year of Ksh 5,841,339.00 and also part of Ksh 1,725,842 as receipts from sale of milk. In the County executive financial statements it has been recognized as returned to CRF.
4	<p>4. Non-disclosure of Board Remunerations n and Information.</p> <p>The statement of financial performance reflects employee costs amount of Kshs.4,441,811 which</p>			The Corporation is in the process of developing its own policies in regard to all issues raised. In the absence of its own

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	<p>include Board member remuneration of Kshs.1,060,000 and chairman remuneration of Kshs.600,000 all totalling Kshs.1,660,000 as disclosed in note 3 to the financial statements. However, the entity has not prepared a policy setting the rates of allowances payable to the Board members and the number of meetings held during the year has not been disclosed. In addition, the minutes of the meetings held together with the attendance register had not been signed and were therefore unreliable. Further, the work plan of the Board showing the activities and meetings towards which the allowances were paid during the year was not availed for audit review contrary to Chapter 1 and 2 of Mwongozo Code for state corporations Section 1.9 and Section 2.5 respectively which require that the board members prepare an annual board work plan and disclose in the financial statements the remuneration of directors, individually and collectively, the salaries and remuneration of the chief executive officer and senior management and a summary of the board evaluation results. Also copies of letters of appointment of the board members who provided services to the entity since November 2019 were not availed for audit review. Consequently, the financial statements do not provide the required information and management therefore breached the law.</p>		<p>policies, the corporation has been applying National government policies in relevant sectors. The approved Board work plan was availed. Refer to attached copy. The corporation has put in place a board register for subsequent meetings. The remuneration of the Corporation's key management is paid from the County Government Treasury and thus there is no need of disclosure of such information since this is reported on the county consolidated financial statements. The allowance of the chairman is in the work plan and the budget for 2019/2020.</p>	
5	5. Acquisition of Biological Assets		The biologicals/animals purchased were handed over to qualified beneficiaries as a	

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	<p>The statement of financial performance reflects acquisition of biological assets (Heifers) figure of Kshs.35,235,473 as disclosed in note 6 to the financial statements but do not provide the details of the animals that were purchased. In addition, charging of purchase of livestock to the statement of financial performance is a misstatement as the livestock form part of the biological assets that are expected to benefit the corporation over a long period of time with possible appreciation in value in line with section 5(a) of the Kakamega County Dairy and Development corporation Act, 2018 which provides that the corporation shall among others, engage in the commercial rearing and breeding of dairy livestock.</p> <p>The Corporation has acquired similar assets previously whose value and whereabouts have not been disclosed or explained.</p> <p>Consequently, the accuracy and validity of the acquisition of assets (heifers) figure oof Kshs.35,235,473 for the year ended 30 June 2020 cannot be confirmed</p>		grant which then ceased to be an asset of the county government thus recorded in the statement of profit and loss account and not in statement of financial position because it becomes a direct benefit to farmers.. The list of beneficiaries was provided.	
6	<p>6. Property, Plant and Equipment</p> <p>The statement of financial position reflects property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020as detailed in note 8 to the financial statements and which include land and buildings with a cost of Kshs.34,517,277. The amount of Kshs.34,517,277 was in respect of expenditure incurred by the Corporation on repairs, maintenance, renovation, partitioning of buildings. However, the ownership of the land on which the buildings stand could not be confirmed due to lack of ownership documents.</p> <p>In addition, the Corporation did not maintain an asset register to account for the property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020. Further, the depreciation policy has provided the depreciated rate in years instead of percentage (%) as required.</p>		The land that the Kakamega Dairy Development Corporation is using was acquired by the County Executive and the ownership documents are still in the address of the Kakamega County Government. The Corporation has commenced a process to transfer all its land assets into its ownership.	

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	Consequently, the property, plant and equipment balance of Kshs.37,521,963 as at 30 June 2020 could not be confirmed.			
			The Corporation is still in the process of developing an asset register and currently we have an inventory list.	
			The depreciation rates have been provided in percentages. Refer to financial statements page 23 where figures have been calculated in percentages.	
7	7. Inventory The statement of financial position has not disclosed any inventory balances as at 30 June 2020 and no stock sheets were available to show that there was no balance of the consumables and milk stocks at the Corporation and the smart farms as at 30 June 2020. Consequently, financial statements have not disclosed significant information on the state of execution of the Corporation's activities.		The inventory listing is provided for your review.	
8	8. Cash and Cash Equivalents The statement of financial position reflects cash and cash equivalents balance of Kshs.17,478,178 as		The original cash book balance reflected a different figure but after adjusting cash book the	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	at 30 June 2020 comprising cash at bank and cash on hand amounting to Kshs.4,553,660 as disclosed in note 7A of the financial statements. However, the cash on hand balance of Kshs.4,553,660 was not supported by the cashbook and board of survey report as at 30 June 2020 Consequently, the accuracy and existence of the cash balance of Kshs.4,553,660 as at 30 June 2020 cannot be confirmed.		new cash balance reflected is Ksh 4,553,660 There was no board of survey report.	
9	<p>9. Statement of Changes in Equity</p> <p>The statement is erroneously referred to as statement of changes in net equity as at 30 June 2020 instead of statement of changes in net assets as required by IPSAS. The statement reflects total net assets of Kshs.151,048,634 a balance brought forward of Kshs.90,000,000 and funds received during the year under review of Kshs.61,048,634 and which is equivalent to the total revenue reflected in the statement of financial performance. In addition, these figures appear to have no basis as they cannot be linked to the statement of financial position as at 30 June 2020 and the previous year statement of changes in equity. Consequently, the accuracy of the statement of changes in net assets for the year ended 30 June 2020 cannot be confirmed.</p>		The Kshs.151, 048,634 is the total accumulative receipts for the two years 2018-2019 and 2019-2020 as reflected in the statement of financial performance. The figure of 90M is reflected in the statement of financial position as total receipts for the year 2018-2019, Kshs.61,048,634 is reflected in the statement of financial position as total receipts for the year 2019-2020.	
10	<p>10. Reserves and Revolving Fund</p> <p>The statement of financial position reflects revolving fund balance of Kshs.29,516,707 and reserves balance of Kshs.34,530,028 as at 30 June 2020. However, the basis or source of these balances have not been explained or supported. Consequently, the accuracy and validity of the two balances as at 30 June 2020 could not be</p>		Revolving fund is the net book values of assets brought forward from the year 2018/2019 The breakdown of the general	

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	confirmed.		reserves is highlighted below which is the opening balances for the year 2019/2020	KCB Operation Account..... 28,688,689.46 KCB Revenue Account..... 5,841,339.00
11	<p>11. Statement of Cash Flows</p> <p>The statement of cash flows for the year ended 30 June 2020 has not been accurately prepared and does not explain the cashflows of the Corporation for the year ended 30 June 2020. The statement reflects cash and cash equivalents as at 1 July 2019 balance of Kshs.34,530,028 while the previous year financial statements reflects a balance of Kshs.25,504,271 to result to a variance of Kshs.9,025,757 which has not been explained or reconciled. The statement also reflects net increase in cash and cash equivalents figure of Kshs.17,478,178 while the calculated figure from the statement shows a decrease of Kshs.17,051,850 to result to a variance of Kshs.34,530,028 which has not been explained or reconciled.</p> <p>Consequently, the accuracy of the statement of cash flows for the year ended 30 June 2020 could not be confirmed.</p>		Theanormally has been noted and corrected.	
	Budgetary Control and Performance		The uncollected revenue of	Ksh39,195,166 is what County treasury failed to remit to the

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																														
	<p>According to the statement of comparison of budget and actual amounts for the year ended 30 June 2020, the corporation had a revenue budget of Kshs.100,243,800 out of which Kshs.61,048,634 or approximately 61% of the budget was realized. The corporation also had an expenditure of Kshs.78,962,200 but recorded actual expenditure of Kshs.70,095,229 to result to under expenditure of Kshs.8,866,971 or approximately 11% as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Expenditure Item</th> <th style="text-align: center;">Approved Budget (Kshs)</th> <th style="text-align: center;">Actual Expenditure (Kshs)</th> <th style="text-align: center;">Budget Utilization Difference (Kshs)</th> <th style="text-align: center;">Budget Under-Utilization %</th> </tr> </thead> <tbody> <tr> <td>Staff Costs</td> <td style="text-align: right;">3,992,000</td> <td style="text-align: right;">2,781,811</td> <td style="text-align: right;">1,210,189</td> <td style="text-align: center;">30</td> </tr> <tr> <td>General Expenses</td> <td style="text-align: right;">25,900,000</td> <td style="text-align: right;">25,577,945</td> <td style="text-align: right;">322,055</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Transfers</td> <td style="text-align: right;">6,500,000</td> <td style="text-align: right;">6,500,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Acquisition of Assets</td> <td style="text-align: right;">42,570,200</td> <td style="text-align: right;">35,235,473</td> <td style="text-align: right;">7,334,727</td> <td style="text-align: center;">17</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">78,962,200</td> <td style="text-align: right;">70,095,229</td> <td style="text-align: right;">8,866,971</td> <td style="text-align: center;">11</td> </tr> </tbody> </table> <p>The Corporation therefore failed to meet its revenue target by Kshs.39,195,166 or approximately 39% of the budgeted amount. In addition, the corporation did not utilize Kshs.8,866,971 or 11% of its budgeted expenditure and no reasons or explanations have been provided for this state of affairs. Failure to realize the targeted revenue and utilize the budgeted funds is an indication that the programs of the Corporation were not implemented as envisaged.</p>	Expenditure Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Budget Utilization Difference (Kshs)	Budget Under-Utilization %	Staff Costs	3,992,000	2,781,811	1,210,189	30	General Expenses	25,900,000	25,577,945	322,055	1	Transfers	6,500,000	6,500,000	-	-	Acquisition of Assets	42,570,200	35,235,473	7,334,727	17	Total	78,962,200	70,095,229	8,866,971	11		entity. The underutilization resulted to late disbursement of funds from the County Treasury which resulted to under expenditures to the respective line items as observed by the Auditor.	
Expenditure Item	Approved Budget (Kshs)	Actual Expenditure (Kshs)	Budget Utilization Difference (Kshs)	Budget Under-Utilization %																														
Staff Costs	3,992,000	2,781,811	1,210,189	30																														
General Expenses	25,900,000	25,577,945	322,055	1																														
Transfers	6,500,000	6,500,000	-	-																														
Acquisition of Assets	42,570,200	35,235,473	7,334,727	17																														
Total	78,962,200	70,095,229	8,866,971	11																														
1	<p>1. Expenditure Not Properly Supported During financial year ended 30 June 2020, the Corporation made various payments amounting to Kshs.1,046,100 which were not properly supported by authorization, relevant reports, signed attendance lists, warrants, contract documents and other necessary documentation as detailed below.</p>		The payments are being worked on to make sure all the documentations are attached and certified by authorizing officer																															

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)			
	Date	Payee	Details	Amount (Kshs)	Findings		
		Jason Michieka	Imprest Board Selection Panel	482,100	1. The minutes and attendance list not signed, not dated and does not indicate the Venue. 2. Imprest warrant not signed. 3. Imprest requested, 4. processed and cash 5. received by the same 6. officer-Jason Michieka.		
	29-Aug-2019	M/s Maduda Enterprises	Supply of Polythene Papers	400,000	Contract agreement not availed,together with list of prequalified suppliers.		
	9-Oct-2019	Brian Shivina Paul	Imprest	10,000	No Imprest Warrant		
	9-Oct-2019	EverlyneNyongesa	Imprest	50,000	No Imprest Warrant		
	21-Oct-2019	RobaiAndaje	Imprest	94,000	No Imprest Warrant		
	9-Oct-2019	JaneroseMatalanga	Imprest	10,000	No Imprest Warrant		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Total	1,046,100		
	Consequently, the propriety of the expenditure of Kshs.1,046,100 included in general expenses figure of Kshs.23,917,945 for the year 30 June 2020 could not be ascertained			
2	<p>2. Lack of Procurement Plan</p> <p>The corporation did not provide an approved procurement plan detailing among others a brief description of the requirements, estimated values of the requirements, the procurement method and the expected award dates contrary to the provisions of section 53 (2) of the Public Procurement and Asset Disposals Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process. Consequently, management breached the law.</p>		Kakamega County Dairy Development Corporation has an approved procurement plan which we had initially availed for Audit in soft copy we have attached the hard copy for your verification.	
1	<p>1. Failure to Develop a Staff Establishment</p> <p>Kakamega County Dairy Development Corporation did not have a staff establishment record or plan to support achievement of goals and objectives in their strategic plan contrary to section B.2.1 of the Public Service Commission Human Resource Policies Manual. Therefore, there are no statistics of the number of staff required and available for every position and the roles played in the Corporation</p>		KDDC staff establishment is majorly that of employees on secondment from the county human resource and a small component of contractual/casual workers on the farms. Coming up with annual recruitment plans at the beginning of each year has	

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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
				never been the case. However plans are underway in this endeavor and going forward this will be done. Further KDDC is still at its inception stages as it has been operational for a period not exceeding four years. This therefore calls for continuous process in the implementation of certain crucial policy documents such as establishment records as directed.
2	<p>2. Failure to Prepare and Submit Quarterly Financial Reports Kakamega County Dairy Development Corporation failed to prepare quarterly reports contrary to Regulation 207 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an accounting officer of a county corporation shall prepare and submit quarterly financial and non-financial statements in the format gazetted by the Cabinet Secretary within 15 days after the end of each quarter to the County Executive Committee Member responsible for the county corporation with a copy to the County Treasury and the Auditor-General. Consequently, management is therefore in breach of the law.</p>			Quarterly financial reports for some of the quarters were prepared and submitted however we had challenges of capacity in personnel, the entity has engaged a qualified accountant to actively prepare and adhere to PFM Act provisions, going forward the entity is doing what is required and a sample of submitted

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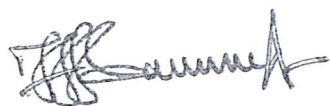
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>
3	<p>3. Unauthorized Expenditure</p> <p>During the financial year 2019/2020, the Corporation incurred an expenditure of Kshs.4,553,660 through imprest. However, the vouchers in respect of surrender of the imprest were not authorised by the accounting officer and the warrants for the issue of the imprests were not signed by the imprest holders.</p> <p>Consequently, the required controls were therefore not in place and/or observed over the use of imprest in running the activities of the Corporation</p>	<p>quarterly reports availed.</p> <p>Going forward the management is working on proper policies and controls to govern the imprest management</p>		
4	<p>4. Revenue Collection at the Smart Farms</p> <p>Audit verification of the Bukura and Malava (Mbande) smart farms revealed that proper revenue records were not maintained. There were no records showing the amount of revenue collected during the year. There was also no evidence of supervision by responsible officers to ensure revenue was collected and accounted for as envisaged.</p> <p>Consequently, the accuracy of the revenue collected and accounted for during the year under review could not be confirmed.</p>	<p>Initially there has been a challenge in record keeping by the farm managers due to capacity and low supervision but going forward the entity has employed qualified farm managers who are assisting in keeping proper records.</p> <p>Also the entity has employed a quality assurance officer who supervises the day to day operation of the farms activities.</p> <p>Going forward the entity is working on the systems to</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
				<p>improve the general operations of the farms</p> <p>Adequate internal controls have been instituted. Production and sales of milk as well as revenue collection are being monitored on daily basis.</p> <p>We have put measures to improve milk production hence improve on our revenue targets. Other revenue targets such as heifers raised have not been disclosed. In future such revenues will be disclosed which will improve our target.</p>



Chief Executive Officer

Date: 29/09/2021

Chairman of the Board

Date: 29/09/2021

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16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of Kakamega County Government				
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		20/01/2021	1,000,000	2020/2021
		19/04/2021	8,516,956	2020/2021
		Total	9,516,956	
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		24/05/2021	8,500,000	2020/2021
		30/06/2021	9,415,975	2020/2021
		30/06/2021	2,983,044	2020/2021
		Total	20,899,019	
c.	Direct Payments	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			0.00	
		Total	0.00	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager

Kakamega County Dairy Development Corporation

Sign 

Head of County Treasury at

County Government of kakamega

Sign 