

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
STRENGTHENING FERTILIZER QUALITY
AND REGULATORY STANDARDS IN KENYA
PROJECT (AGRA GRANT NO. 2013 SHIP 001)**

**FOR THE YEAR ENDED
30 JUNE 2017**

STATE DEPARTMENT OF AGRICULTURE

PARLIAMENT
OF KENYA
LIBRARY

PROPER LAW BY THE
MAJORITY PARTY WITH
HON. BENJAMIN WASHIALI,
CBS, MP, ON 2ND OCTOBER
2018
IBM





**PROJECT NAME: STRENGTHENING FERTILIZER QUALITY AND REGULATORY
STANDARDS IN KENYA PROJECT**

IMPLEMENTING ENTITY: STATE DEPARTMENT OF AGRICULTURE

PROJECT GRANT NO: 2013 SHIP 001

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

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Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Objective: The key objective of the project is (i). To establish a legal and regulatory framework for fertilizer quality, (ii). Increase awareness of new fertilizer act among stakeholders and (ii). To strengthen human and institutional capacity to enforce fertilizer policy regulations.

Address: The project headquarters offices are Nairobi County, Kenya

The address of its registered office is:

Kilimo House, Cathedral Road, P.O Box 30028-00100, NAIROBI

The project also has offices/branches as follows:

N/A

Contacts: The following are the project contacts

Telephone: (254) (254) 2718870/9

E-mail: psagriculture@kilimo.go.ke

Website: www.agriculture.go.ke

1.2 Project Information

Project Start Date:	The project start date is 14 January 2015
Project End Date:	The project end date is December 2017
Project Manager:	The project manager is Mrs. Rebecah Githaiga
Project Sponsor:	The project sponsor is AGRA

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Agriculture, Livestock & Fisheries (State Department of Agriculture..
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Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

Project number	2013 SHP 001
Strategic goals of the project	The strategic goals of the project are as follows: (i) Improve fertilizer Quality Standards (ii) Improve awareness of fertilizer laws to stakeholders
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Improve human capacity to handle fertilizer issues
Other important background information of the project	The project overall strategy of the project is to build on on-going efforts and strengthen national institutions for purposes of fertilizer quality and its sustainability. The goal of the project is "To improve crop productivity and incomes of smallholder farmers through Strengthening Fertilizer Quality and Regulatory Standards in Kenya."
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) In ensuring farmers get quality fertilizer (ii) Capacity building of personnel dealing with fertilizer issues (iii) Equipping the existing laboratories with the necessary equipments
Project duration	The project started on 1st July 2015 and is expected to run until December 2017

1.4 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya

1.5 Auditors

The project is audited by the Kenya National Audi Office

1.6 Roles and Responsibilities

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

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
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NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON STRENGTHENING FERTILIZER QUALITY AND REGULATORY STANDARDS IN KENYA PROJECT (AGRA GRANT NO. 2013 SHIP 001) FOR THE YEAR ENDED 30 JUNE 2017 – STATE DEPARTMENT OF AGRICULTURE

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Strengthening Fertilizer Quality and Regulatory Standards in Kenya set out on pages 1 to 24, which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015 and the Financing Agreement Grant No. 2013 SHIP 001 between Alliance for a Green Revolution in Africa (AGRA) and the Republic of Kenya dated 23 July 2014. 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, the financial statements present fairly, in all material respects, the financial position of Strengthening Fertilizer Quality and Regulatory Standards in Kenya Project as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Grant No. 2013 SHIP 001 and the Public Finance Management Act, 2012.

Further, as required by Article 229(6) of the Constitution, I confirm that public money has been applied lawfully and in an effective way.

Basis for Opinion

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

Report of the Auditor-General on the Financial Statements of Strengthening Fertilizer Quality and Regulatory Standards in Kenya for the Year ended 30 June 2017

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

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

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

In preparing the financial statements, management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Project or have no realistic alternative but to do so.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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.

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

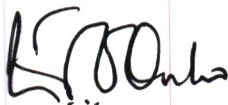
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project'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 Project 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

29 December, 2017

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

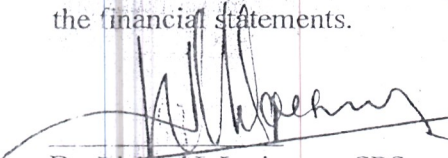
Reports and Financial Statements


For the financial year ended June 30, 2017

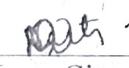
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2017

	Note	2016/17		2015/16		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	
RECEIPTS						
Proceeds Foreign Grants	8.3	0	0	0		25,132,205
TOTAL RECEIPTS		0	0	0		25,132,205
PAYMENTS						
Compensation of employees	8.4	1,227,400		2,838,375		4,065,775
Purchase of goods and services	8.5	7,917,840		5,984,999		13,902,839
Acquisition of non-financial assets	8.6	-		5,473,400		5,473,400
TOTAL PAYMENTS		9,145,240		14,296,774		23,442,014
SURPLUS/DEFICIT		(9,145,240)		(14,296,774)		

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


Dr. Richard L. Lesiyampe CBS
Principal Secretary


Mrs. Rebecca Githaiga
Project Coordinator


Mercy Gitu
Project Accountant
ICPAK Member No: 20360

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements


For the financial year ended June 30, 2017


5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2017

	Note	2016/17 KShs	2015/16 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8.7	1,826,935	10,835,431
Total Cash and Cash Equivalents		1,826,935	10,835,431
TOTAL FINANCIAL ASSETS		<u>1,826,935</u>	<u>10,835,431</u>
REPRESENTED BY			
Fund balance b/fwd	8.10	10,835,431	25,132,205
Surplus/Deficit for the year		9,145,240	(14,296,774)
Prior year Adjustments	8.11	136,744	
NET FINANCIAL POSITION		<u>1,826,935</u>	<u>10,835,431</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28/9/17 2017 and signed by:


Principal Secretary
Date


Project Coordinator
Date 28/09/2017


Project Accountant
Date 28/9/17
ICPAK Member No: 20360

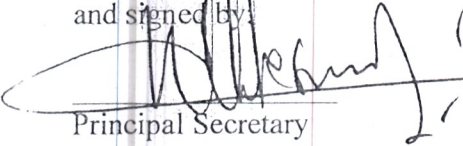
Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

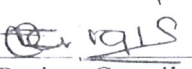
*Reports and Financial Statements
For the financial year ended June 30, 2017*

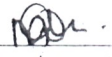
6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2017

	Note	2016/17 KShs	2015/16 KShs
Receipts for operating activities			
Proceeds from foreign grants	8.3	0	0
Payments for operating activities			
Compensation of employees	8.4	(1,227,400)	(2,838,375)
Purchase of goods and services	8.5	(7,917,840)	(5,984,999)
Adjustment during the year (Prior year adjustments)	8.11	136,744	
Net cash flow from operating activities		(9,008,496)	8,823,374)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8.6	0	(5,473,400)
Net cash flows from Investing Activities		0	(5,473,400)
NET INCREASE IN CASH AND CASH EQUIVALENT			
		(9,008,496)	-14,296,744
Cash and cash equivalent at BEGINNING of the year	8.10	10,835,431	25,132,205
Cash and cash equivalent at END of the year	8.7	1,826,935	10,835,431

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 28/9/17 2017 and signed by:


Principal Secretary
Date


Project Coordinator
Date 28/09/2017


Project Accountant
Date 28/9/17
ICPAK No. 20360

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

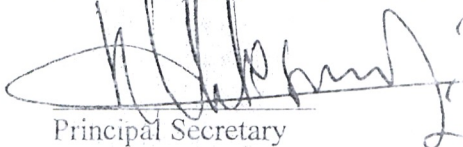
Reports and Financial Statements

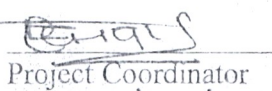
For the financial year ended June 30, 2017


7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from domestic and foreign grants						0%
Total Receipts						
Payments						
Compensation of employees	2,669,625/=		2,669,625/=	1,227,400	1,442,225/=	46%
Purchase of goods and services	7,919,401/=		7,919,401/=	7,917,840	1,561/=	99%
Social security benefits						
Acquisition of non-financial assets	857,900/=		857,900/=	0	857,900/=	0%
Transfers to other government entities						
Other grants and transfers	1,104,305/=		1,104,305/=	0	1,104,305/=	0%
Total Payments						

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


Principal Secretary
Date


Project Coordinator
Date 28/09/2017


Project Accountant
Date 28/9/17
ICPAK Member No. 20360

8. NOTES TO THE FINANCIAL STATEMENTS

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

8.1. Basis of Preparation

8.1.1. Statement of compliance and basis of preparation

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

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

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

8.1.2. Reporting entity

The financial statements are for the Project xxx under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

8.1.3. Reporting currency

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

8.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• Other receipts

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

b) Recognition of payments

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

• Compensation of employees

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

• Use of goods and services

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

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **Acquisition of fixed assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

h) Third party payments

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

During the year Kshs xxx billion being loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

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

j) Comparative figures

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

k) Subsequent events

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

l) Errors

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

NOTE 8.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2017 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						FY 2016/17	FY 2015/16
						KShs	KShs
Grants Received from Multilateral Donors (International Organizations)							
AGRA			0	0	0	0	0
Total			0	0	0	0	0

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

NOTE 8.4 COMPENSATION OF EMPLOYEES

	FY 2016/17			FY 2015/16	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	
Personal allowances paid as part of salary	1,227,400/=			2,838,375	
Total	<u>1,227,400/=</u>			<u>2,838,375</u>	

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

NOTE 8.5 PURCHASE OF GOODS AND SERVICES

	FY 2016/17			FY 2015/16	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services				5,374,999	
Communication, supplies and services				150,000	
Training payments				460,000	
Domestic travel and Subsistence	6,70,600/=				
Printing, advertising supplies and services	68,750/=				
Hospitality supplies and services	868,520/=				
Other operating payments	269,970/=				
Total	7,917,840/=			5,984,999	

[Provide explanation as necessary]

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

NOTE 8.6 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2016/17			FY 2015/16	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs		
Purchase of vehicles & other transport equipment				4,088,400	4,088,400
Purchase of office furniture & general equipment				1,385,000	1,385,000
Total				5,473,400	5,473,400

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For the financial year ended June 30, 2017

NOTE 8.7 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2016/17	2015/16
	KShs	KShs
Bank accounts	1,826,935	10,835,431
Total	1,826,935	10,835,431

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

NOTE 8.8 Project Bank Accounts

	2016/17	2015/16
	KShs	KShs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No		
Total Foreign Currency balances		
Local Currency Accounts		
Central Bank of Kenya [A/c 1000220837	1,826,935	10,972,174
Total local currency balances	1,826,935	10,972,174
Total bank account balances		

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

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For the financial year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 8.9 Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2017 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

	2016/17	2015/16
	KShs	KShs
(i) A/c Name [A/c Strengthening Fert.Quality REG.StdsNo{1000216182}]		
Opening balance	xxx	xxx
Total amount deposited in the account	xxx	xxx
Total amount withdrawn (as per Statement of Receipts & Payments)	xxx	xxx
Closing balance (as per SDA bank account reconciliation attached)	xxx	xxx
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	xxx	xxx
Total amount deposited in the account	xxx	xxx
Total amount withdrawn (as per Statement of Receipts & Payments)	xxx	xxx
Closing balance (as per SDA bank account reconciliation attached)	xxx	xxx

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

Note 8.10 FUND BALANCE BROUGHT FORWARD

	2016/17	2015/16
	KShs	KShs
Bank accounts	10,835,431	25,132,205
Total	10,835,431	25,132,205

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For the financial year ended June 30, 2017

Note 8.11 PRIOR YEAR ADJUSTMENT

	2016/17	2015/16
	KShs	KShs
Being expenditure captured in FY2015/16 but not paid within the Financial year,	136,744	
Total	<u>136,744</u>	

PENDING STAFF PAYABLES (See Annex 2B)

	2016/17	2015/16
	KShs	KShs
Permanent employees - Allowances		148,750
		148,750

OTHER PENDING PAYABLES (See Annex 2C)

	2016/17	2015/16
	KShs	KShs
Amounts due to National Government entities		136,744
	Xxx	136,744

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

*Reports and Financial Statements
For the financial year ended June 30, 2017*

9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)


Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.


Principal Secretary

Date

28/9/2017


Project Coordinator

Date

28/09/2017

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Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements
For the financial year ended June 30, 2017

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities					
Proceeds from domestic and foreign grants					
Proceeds from borrowings					
Miscellaneous receipts					
Total Receipts					
Payments					
Compensation of employees	2,669,625		1,227,400	1,442,225	The ministry has paid the allowances for the last six months.
Purchase of goods and services	7,919,401		7,917,640	1,561	Activities were carried out.
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities	857,900			857,900	No assets were acquired this year
Other grants and transfers					
Total payments	1,104,305			1,104,305	No transfers were made this year

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements

For the financial year ended June 30, 2017

Explain all variance below 90% and above 100%

- (i) Xxx*
- (ii) Xxx*

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

*Reports and Financial Statements
For the financial year ended June 30, 2017*

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

Reports and Financial Statements
For the financial year ended June 30, 2017

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding g Balance 20xx	Outstanding g Balance 20xx	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (Specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

*Reports and Financial Statements
For the financial year ended June 30, 2017*

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	(a) Opening Cost (KShs) 2015/16	(b) Purchases/ Additions in the Year (KShs) 2016/17	(c) Disposals in the Year (KShs) 2016/17	(d) Closing Cost (KShs) 2016/17
Land	(a)	(b)	(c)	(d) = (a) + (b) - (c)
Buildings and structures				
Transport equipment				
Office equipment, furniture and fittings				
ICT Equipment, Software and Other ICT Assets	1,385,000/=	Nil	Nil	1,385,000/=
Other Machinery and Equipment	4,088,400/=	Nil	Nil	4,088,400/=
Heritage and cultural assets				
Intangible assets				
Total				5,473,400/=

Notes

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

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

Strengthening Fertilizer Quality & Regulatory Standards in Kenya Project

*Reports and Financial Statements
For the financial year ended June 30, 2017*

APPENDICES

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

ACCOUNTANT GENERAL
 MINISTRY OF FINANCE
 P.O BOX 30007
 NAIROBI

MINISTRY OF AGRICULTURE
 P.O BOX 30028
 NAIROBI

NOTE: **AGRA PROJECT**

**REPUBLIC OF KENYA
 BANK RECONCILIATION**

F. O 30

AS AT 30 JUNE 2017 STATION NAIROBI

BALANCE AS PER BANK CERTIFICATE
 DEBIT: 1. Payments in Cash Book not yet recorded in Bank Statement
 2. Receipts in Bank Statement not yet recorded in Cash Book
 Closing cash book balance June 2017

CREDIT:
 3. Payments in Bank Statement not yet recorded in Cash Book
 4. Receipts in Cash Book not yet recorded in Bank Statement

CALCULATED CASH BOOK BALANCE

ACTUAL CASH BOOK BALANCE

I certify that I have verified the bank balance in the cash book with the bank statement and the above Reconciliation is correct.

SHS	CTS	SHS	CTS	SHS.	CTS
				2115484	75
				288550	00
				1826943	75

[Signature]
 SIGNATURE

Fuy P.A.C.
 DESIGNATION

27/7/17
 DATE

PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT (UNPRESENTED CHEQUES)							SHS.	CTS
CHEQUE NO.	DATE	PAYEE	AMOUNT	CHEQUE NO.	DATE			
			SH CTS					
	12/7/17	M. GITU	28500 00					
	27/7/17	KARLO	260000 00					

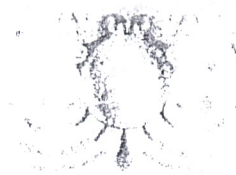
CL.
 SEE ATTACHED SCHEDULES

THE CONTROLLER & AUDITOR GENERAL
 P.O BOX 30084
 NAIROBI

THE PRINCIPAL INTERNAL AUDITOR
 P.O BOX 30028
 NAIROBI



BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

SA-D
Deal
20/7/17


Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

17th July 2017

CERTIFICATE OF BALANCES

Customer : 122555 STATE DEPARTMENT FOR AGRICULTURE
Balance Date: 30-Jun-17

Account No	Account Name	Currency	Balance
1000209933	DEV-STATE DEPT FOR AGRICULTURE	KES	95,163,538.40
1000209976	CBK I65-STATE DEPT.FOR AGRICULTURE	KES	0
1000210087	REC-STATE DEPT. FOR AGRICULTURE	KES	3,250,233,257.45
1000212519	DROUGHT RES AND SUST.LIVELIHOODS PR	KES	44,685,548.20
1000212608	DEP-STATE DEPT.FOR AGRICULTURE	KES	482,118,917.20
1000217162	FERTILIZER PROCEEDS ACCOUNT	KES	456,662,651.80
1000217189	STRATEGIC GRAIN RESERVE (SGR)	KES	4,729,514,567.65
1000217197	IMP OF RURAL RDS.MKTS INFRA W (K	KES	0
1000217208	KENYA ADAPTION TO CLIMATE IN ARID	KES	29,640,466.70
1000220837	STRENGTH FERTILER QUAL REG STARD KE	KES	2,115,484.75
1000289058	SMALL SCALE IRRIG VALUE ADD PROJ.	KES	38,757,316.45
1000292911	MSA-AGRI SEC DEV SUP PROG - SIDA	KES	0
1000294868	SMALL SCALE IRRIG AND VALUE ADD PRO	KES	65,913.00
1000327669	FERTILIZER REVENUE COLLECTION ACCOU	KES	0
1000327685	KENYA CLIMATE SMART AGRI PRO(KCSAP)	KES	0


P. S. LENKUME
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION


L. K. RWERIA
AUTHORISED SIGNATORY
BANKING SERVICES DIVISION

