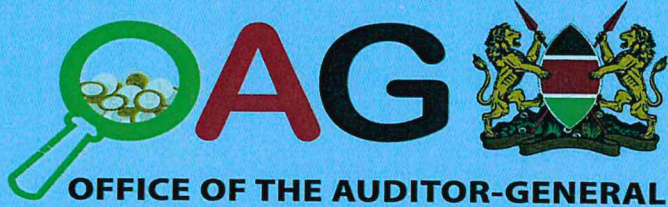



REPUBLIC OF KENYA



Enhancing Accountability



 THE NATIONAL ASSEMBLY	
DATE: 01 SEP 2021	
DAY: WED	
TABLED BY:	LOMP
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REPORT

OF

THE AUDITOR-GENERAL

ON

AGRICULTURE AND FOOD AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2020**



AGRICULTURE AND FOOD AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

The Agriculture and Food Authority (AFA) is a state corporation established through an Act of Parliament specifically, under section 3 of the Agriculture Fisheries and Food Authority Act of 2013 and amended by Statute law (Miscellaneous Amendment) Act 2016 dated 26/4/2016 which changed the name to Agriculture and Food Authority (AFA)

The Act consolidates the laws on the regulation and promotion of agriculture and makes provision for the respective roles of the National and County Governments in Agriculture and related matters.

Vision, Mission and Core Values

Vision:

“To be a World Class Regulator in the Agriculture Sector”

Mission:

“To sustainably develop and promote scheduled crops value chains through effective regulation for economic growth”

Motto:

“Our Crops, Our Wealth”

Core Values:

“Professionalism; Integrity; Customer focus; Teamwork; and Innovativeness”

(b) Principal Activities

The Agriculture and Food Authority is mandated to carry out the following functions:

- Administer the Crops Act, in accordance with the provisions of the AFA and Crops Acts;
- Promote best practices in, and regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural and aquatic products excluding livestock products as may be provided for under the Crops Act;
- Collect and collate data, maintain a database on agricultural products excluding livestock products, documents and monitor agriculture through registration of players as provided for in the Crops Act and the Fisheries Act;
- Determining the research priorities in agriculture and to advise generally on research thereof;
- Advise the national government and the county governments on agricultural levies for purposes of planning, enhancing harmony and equity in the sector;
- Carry out such other functions as may be assigned to it by the AFA Act, the Crops Act, and any written law while respecting the roles of the two levels of Government

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

(c) Key Management

The Agriculture and Food Authority's day-to-day management is under the following key organs:

Board of Directors
Director General
Management

(d) Fiduciary Management

The key management personnel who held office during the period starting from 1st July 2019 to 30th June 2020 and who had direct fiduciary responsibility were:

MANAGEMENT		
No.	DESIGNATION	NAME
1	Interim Director General	Anthony Mureithi
2	Interim Head - Tea Directorate	Peris Mudida
3	Interim Head - Horticulture Directorate	Benjamin Tito
4	Interim Head - Nuts and Oils Directorate	Florence Kaibi
5	Interim Head - Fibre Directorate	Solomon Odera
6	Interim Head - Coffee Directorate	Isabella Nkonge
7	Interim Head - Food Directorate	Leonard Kubok
8	Interim Head - Miraa, Pyrethrum & other Industrial Crops Directorate	Raymond Kahindi
9	Interim Head - Sugar Directorate	Rosemary Owino
10	Interim Head - Finance	Elias Kiragu
11	Interim Head - Planning, Research & Strategy	Patricia Njeru
12	Interim Head - Internal Audit	Isaac Metto
13	Interim Head - Legal	Andrew O. Osodo
14	Interim Head - Human Resource	Harrison Kuira
15	Interim Manager - Corporate and Communications	Christine Chesaro
16	Interim Manager - Supply chain	Daniel Mbovu
17	Interim Manager - ICT	Amos Mulievi

(e) Fiduciary Oversight Arrangements

Parliamentary Committee Activities

The Public Investment Committee is responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit.

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

Development Partner Oversight Activities

It looks at the broad objectives and service delivery approaches across all grants and seeks to identify and resolve issues that might hinder successful grant implementation. Oversight helps ensure transparency and accountability in grant implementation and that Global Funds resources are used appropriately and effectively to achieve intended intermediate and long term results in accordance with the national strategic plans

Public Procurement Oversight Authority (PPOA)

Oversees all procurements by ensuring that the Authority follows procurement laws and regulations set to ensure transparency and value for money in procurement of goods and services.

Office of the Auditor General (OAG)

They audit and report on the management of public resources held by the Authority with an objective of improving service delivery to the Kenyan people.

(f) Agriculture and Food Authority Headquarters

P.O. Box 37962-00200
Tea House, Naivasha Road
Nairobi, Kenya.

(g) Agriculture and Food Authority Contacts

P.O. Box 37962-00200
Telephone: (254) 722200556/
E-mail: info@agricultureauthority.go.ke
Website: www.agricultureauthority.go.ke

(h) Agriculture and Food Authority Bankers

1. Kenya Commercial Bank
2. National Bank of Kenya
3. Citibank N.A
4. CFC Stanbic Kenya
5. Co-operative Bank of Kenya
6. Barclays Bank
7. Standard chartered Bank
8. NIC Bank

(i) Independent Auditors

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

(j) Principal Legal Adviser



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

II. THE BOARD OF DIRECTORS OF THE AUTHORITY




The Authority did not have a Board of Directors in the financial year 2019/20




III. MANAGEMENT TEAM



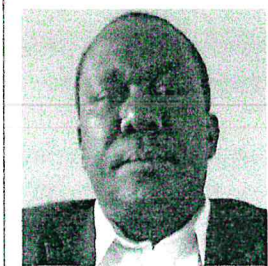
During quarter ended 30th June 2020, the following was the management team who oversaw operations of the Authority: -




STAFF DETAILS	RESPONSIBILITY AREA
<p>Anthony G. Muriithi</p>  <ul style="list-style-type: none"> • Masters in Agricultural Economics, • Bachelor of Science in Agriculture and • Diploma in Agriculture 	<p>Interim Director General and Head of Tea Directorate</p> <p>Responsible for the day to day management of the Authority, the direction of the affairs and transactions of the Authority, the exercise, discharge and performance of its objectives, functions and duties, and the general administration of the Authority. The Director general is also the Secretary to the Board of the Authority</p>
<p>Solomon O. Odera</p>  <ul style="list-style-type: none"> • Bachelor of Science in Business Administration (Accounting and Financial Management) • Associate, Institute of Bankers (AIB) 	<p>Interim Head –Fibre Directorate</p> <p>Responsible for administration of the Crops Act in relation to Sugar and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
	<p>Interim Head - Nuts and Oils Directorate</p> <p>Responsible for administration of the Crops Act in relation to Nuts and Oil Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage,</p>

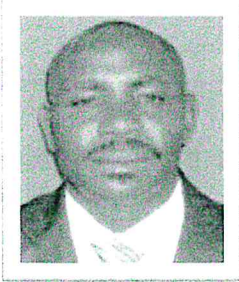
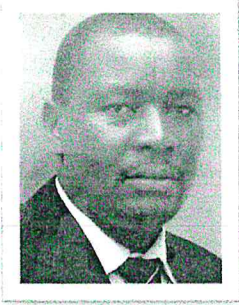
Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

<p>Florence Kaibi</p>  <ul style="list-style-type: none"> • PhD, Nutritional Science • Post Graduate Diploma, Food & Nutrition security • MSc, Food, Nutrition & Dietetics • Bachelor of Education 	<p>collection, transportation and warehousing of the same</p>
<p>Isabella Nkonge</p>  <ul style="list-style-type: none"> • Master of Science in Agronomy (2000 -2002 (UoN); • Bachelor of science in Agriculture and Home Economic, (1990) Egerton University; • Diploma in Agriculture and Home Economics, (1985) Egerton University 	<p>Interim Head - Coffee Directorate</p> <p>Responsible for administration of the Crops Act in relation to Coffee and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Benjamin Tito</p>  <ul style="list-style-type: none"> • MSc, in Agricultural Production Chains Management from Van Hall Larenstein University of Applied sciences, The Netherlands. • Bachelor of Science degree in Horticulture from (JKUAT); • Diploma in Horticulture (JKUAT); 	<p>Interim Head - Horticulture Directorate</p> <p>Responsible for administration of the Crops Act in relation to Horticultural Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>

<p>Peris Mudida</p>  <ul style="list-style-type: none"> • Bachelor of Laws, LL.B • Post Graduate Diploma in Law • Member of CPSK and advocate of the High Court 	<p>Interim Head – Tea Directorate</p> <p>Responsible for administration of the Crops Act in relation to Tea Crop and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Leonard Kubok</p>  <ul style="list-style-type: none"> • Master of Science in Agricultural Extension, • Bachelor of Science in Agriculture • Certificate in Rural Development • Certificate in Corporate Governance 	<p>Interim Head - Food Directorate</p> <p>Responsible for administration of the Crops Act in relation to Food Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Raymond M. Kahindi</p>  <ul style="list-style-type: none"> • Masters in Agricultural Engineering, Bachelor of Science in Agricultural Engineering 	<p>Interim Head – Miraa, Pyrethrum and other Industrial Crops Directorate</p> <p>Responsible for administration of the Crops Act in relation to Miraa, Pyrethrum and Other Industrial Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>

<p>Rosemary Owino</p>  <ul style="list-style-type: none"> • Bachelor of science (In Agriculture) • Master of Business Administration • MCIM (UK) • MCMi (UK) 	<p>Interim Head – Sugar Directorate</p> <p>Responsible for administration of the Crops Act in relation to Sugar Crop and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Andrew M. O. Osodo</p>  <ul style="list-style-type: none"> • Master of Business Administration (MU), • Bachelor of Laws (UoN), • Post Graduate Diploma in Law (KSL) • Member of ICPSK and advocate of the High Court 	<p>Interim Head -Legal Services</p> <p>Responsible for Board’s Secretariat and Legal Services</p>
<p>Elias K. Kiragu</p>  <ul style="list-style-type: none"> • Master of Business Administration, Finance (UoN); • Bachelor of Business Administration, Accounting (UoN) • Certified Public Accountant of Kenya, CPA(K) • Membership: Institute of Certified Public Accountants of Kenya, ICPAK; 	<p>Interim Head – Finance</p> <p>Responsible for Financial Accounting, Financial Management and Financial Reporting</p>

<p>Patricia W. Njeru</p>  <ul style="list-style-type: none"> • Master of Agricultural Economics (UNE, Australia) • Graduate Diploma in Resource Economics (UNE, Australia) • Bachelor of Science, Agricultural Economics (Egerton University) • Project Monitoring & Evaluation • Member, Institute of Economic Affairs 	<p>Interim Head – Corporate Planning, Strategy and Enterprise Risk Management</p> <p>Responsible for Implementation, Monitoring and Evaluation of the Authority’s Performance under the Strategic Plan and Performance Contracts</p>
<p>Isaac C. Metto</p>  <ul style="list-style-type: none"> • Executive Master of Business Administration, • Bachelor of Commerce (Accounting). • Member of Institute of Internal Auditors. 	<p>Interim Head -Internal Audit</p> <p>Responsible for assuring Management and the Board that internal control systems are in place and working and that the risk management framework is working in light of management awareness of risks and mitigation measures thereof.</p>
<p>Christine Chesaro Yebei</p>  <ul style="list-style-type: none"> • Masters in International Relations, • Bachelor of Arts in French & History, • Post Graduate Diploma in Public Relations Management 	<p>Interim Manager-Corporate Communications</p> <p>Responsible for managing Corporate Communications at Agriculture and Food Authority (AFA)</p>

<p>Daniel K. Mbovu</p>  <ul style="list-style-type: none"> • Master of Science in Procurement and Logistics (JKUAT); • Diploma in Purchasing and Supplies Management (KIM) • Bachelor of Commerce, Marketing (KU) • Licensed Practitioner-Kenya Institute of Supplies Management (KISM) • Member, Kenya Institute of Supplies Management(KISM) 	<p>Interim Manager –Supply Chain</p> <p>Responsible for Supply Chain and Procurement and Disposal of unserviceable assets of the Authority</p>
<p>Amos M. Mulievi</p>  <ul style="list-style-type: none"> • Masters in Information Systems, • Bachelor of Education (Mathematics), • Post Graduate Diploma in Computer Science 	<p>Interim Manager –ICT</p> <p>Responsible for Business Processes Automation & Implementation of the Authority’s ICT Strategies and Policies</p>

IV. CHAIRMAN'S STATEMENT

The Authority did not have a Board of Directors in place in the period under review

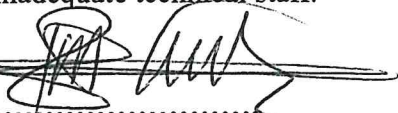
V. REPORT OF THE DIRECTOR GENERAL

Agriculture and Food Authority (AFA) was established through an Act of Parliament, the Agriculture and Food Authority Act, 2013 (revised in 2016). The mandate of the Authority is to regulate, develop and promote Scheduled Crops for increased economic growth and transformation in Kenya. This is achieved through capacity building, development and enforcement of regulations and market research and product development. The Authority has developed a strategic plan to guide the delivery of its mandate up to 2022. The strategic plan has been reviewed and aligned to the Big 4 Agenda. Strategic goals of the Authority include boosting agricultural productivity and growth, upgrading Kenya's agricultural value chains for job creation and income generation, enhancing market access and integration into global value chains, establishing standards and enforcement of regulations.

Following the coming into effect of the AFA Act and Crops Act in 2013, the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the Authority in consultation with County Governments and relevant stakeholders have been developing crop-specific Regulations. During the year under review, Coffee, Sugar and Tea Industry Regulations were gazetted. As part of its promotional mandate, the Authority conducted several market promotion activities for export commodities such as tea, coffee and horticultural crops in external markets. These included participation in expos, conferences, trade fairs and trade missions. The Authority also conducted several capacity building activities in counties aimed at improving productivity and upgrading of Scheduled Crops value chains.

Agriculture remained the highest contributor to Gross Domestic Product (GDP) at 34%, out of which 27% is derived from growing of crops. During the year under review, the sector recorded decreased performance compared to 2018/19. This was mainly attributed to Global inflationary pressure that affected earnings from export commodities, infestation of the farms by the Locusts as well as the impact of COVID-19 Pandemic. The pandemic not only caused global economic shock but also caused disruptions of input supply, labour movements, harvesting, processing and the produce access to markets. These disruptions had far-reaching implications on the value of marketed scheduled crops.

Some of the challenges that continued to affect the Authority's performance during the year under review included lack of a substantive Board, lack of several crops regulations, financial constraints and inadequate technical staff.



.....
KELLO HARSAMA
DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

The Board of the Agriculture and Food Authority known as the Interim Management Committee was appointed by the Cabinet Secretary for Agriculture, Livestock and Fisheries on 7th November 2016 vide gazette Notice No. 9637 for a period of one year. However, the term of the Interim Management Committee expired in November 2017. Currently the Authority does not have a Board. Management is handling the Board matters in consultation with the Parent Ministry.

The Management of the Authority continues to comply with Corporate Governance guidelines and the Mwongozo Code of Governance for State Corporations. The Management recognizes the fundamental role of corporate governance in enhancing the culture and performance of the Authority and further, that high standards of corporate governance are a key contributor to the long term success of the Authority.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2019-2020, the Agriculture and Food Authority - AFA continued to undertake programmes to promote production and productivity of various scheduled crops in line with its mandate, as provided for under the AFA and Crops Acts. In addition to routine regulatory services and market development, the Authority focused on the review and development of Standards and Codes of Practice for Sisal Products, Nut Trees and Miraa. The Authority also engaged the County Government and other stakeholders in mapping of value chains for Bixa and Stevia, which were recently gazetted as Scheduled Crops.

The other key activities undertaken during the Financial Year 2019-20 were in accordance with the Authority's mandate on Regulation and Compliance, Technical and Advisory as well as Market Research and Product Development. Many of our key scheduled crops are exported to diverse markets. The Market Research and Product Development activities therefore, continued to dominate the budget allocated for the Authority's core mandate. These activities included generic promotions; market surveys and other research activities; subscriptions to associations; international conferences and various promotional activities for value addition. During the financial year, AFA implemented Phase 2 of the Market Entry Strategy for Tea by conducting B2B and B2C promotion activities in the market. Market linkage activities were also undertaken in the U.A.E, North America, and Sudan. The initiatives are expected to enhance agribusiness and market access of agricultural products to the export markets, thereby generating more foreign exchange to the country and earnings for growers.

Technical and Advisory Services undertaken during the year focused on realization of the Government's Big 4 Agenda on Food and Nutrition Security. AFA, in collaboration with the County Government and other stakeholders procured and distributed to farmers, good quality seedlings for Coffee, Coconut and Cashew Nut. Towards offering support for the Big 4 Agenda, the Authority has during the contract period, been developing training curricula and undertaking capacity building of Nursery operators and county agriculture officers. Additionally, the Authority has been enforcing seedling production contracts to ensure quality of the planting material. The Authority supported the production of 300,000 Coconut and 300,000 Cashewnuts seedlings through a collaboration framework between KALRO, KEPHIS, the counties and Nursery operators. Model nurseries and demonstration sites for Mango and Avocado were set up to showcase GPAs in these two crops, as a means of promoting the value chains.

On Regulation and Compliance, the respective Tea and Sugar Regulations and the Coffee (General) Regulations 2019 were gazetted. Regulations and Compliance activities undertaken during the financial year included registration and licensing; inspections and surveillance; development and review of Standards and codes of practice (Cotton, Cashew Nut, Miraa, Pyrethrum and sisal); development of self-regulation guidelines for Fibre and Food Crops; product quality analysis; stakeholders' consultations and sensitizations; international conferences; consultancies; industry data collection and forecasting; maintenance of statistical e-portal. Regulation and Compliance activities were the least funded of the Authority's mandate with funding declining compared to the previous

Agriculture and Food Authority

Financial Statements for the Year Ended 30th June 2020

year, owing to gradual ceding of the regulatory mandate to the counties in accordance with the Constitution, as well as increased adoption of industry self-regulatory mechanisms.

In the financial year 2019-20, the Authority increased allocated Kshs. 474.6 to core mandate from a budget of Kshs. 455.6 in the year 2018-2019. This being Kshs 137.1 million to regulation and compliance, Kshs. 131.5 million to Technical and Advisory, and Kshs. 206.1 million to Market Research & Development. This aimed at enhancing service delivery to stakeholders and making the Authority's programmes more impactful to the society.

With the Revocation of Levies on Coffee, Tea and Sugar in 2016, over 80% of the Authority's revenues emanate from government grants, supplemented by internally generated funds. In the period under review, Government grants were inadequate to fully finance AFA planned projects, leading to significant scaling down. In the Sugar Sector, the Authority had targeted to upgrade the two Cane Testing Units (CTUs) in Nzoia and South Nyanza Sugar Companies to an operable state, but this was not realized. Other CTU related activities that were hampered by the lack of funds were: installation of back-up generators to stabilize power supply; and Certification of the CTU Laboratories. In the Tea sub-sector, the Authority had targeted to set up a Value Added Specialty Tea Products Incubation Centre to spur diversification from over production of Black CTC Teas. This was not achieved due to the delayed approval by Treasury on procurement, since this falls under the Capital items. Consequently, AFA was not able to fully execute its mandate as provided for by the AFA and Crops Acts. Late disbursement of funds affected implementation of most of the programmes. Apart from the challenges of late disbursement funds and quality of seeds, the effects of COVID-19 pandemic interfered with the Authority's plan to ensure the production of targeted quantity of cotton. It was envisaged that by the end of the Financial Year 2019-2020, the Authority would have established 129,600 acres under rain-fed and irrigated cotton but only managed 55,000 acres while the number of bales produced was 40,000 against a target of 109,600. Under the cotton revitalization programme, which was allocated Kshs 64 million during the year, it is expected that the cotton value chain would stop relying on distribution of recycled seed from the ginneries. Through a gazette notice no.87 of 15th May 2020, the hybrids varieties were approved for multiplication.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

INTRODUCTION

Social Responsibility is one of the core values of the Agriculture and Food Authority and as such, the Authority is committed to giving back to the community in line with national development strategies. Agriculture and Food Authority's Corporate Social Responsibility policy is driven by the need to preserve the environment, and promote socio-economic development through sponsorship and participation in activities that enhance the livelihood of other members of the society. For the Agriculture and Food Authority, it also means a commitment to integrate responsible practices into daily business operations, monitor and evaluate progress made and achievements gained through the implementation of these practices. It is also an indication to our stakeholders that the organization cares about the community.

To facilitate execution of CSR programmes, AFA has developed a CSR Policy that is aligned to the Vision 2030 and appointed a CSR Committee, whose role is to evaluate CSR requests and make recommendation for AFA's sponsorship.

AREAS OF FOCUS

The Policy's key focus is on the following areas: Community Service, National disaster and Humanitarian support.

Education: In recognition that education is the bedrock of the country's economy, AFA supports education through support to schools and individual needy students. This serves to motivate students to strive for excellence and to provide an opportunity to strategically create awareness about AFA and build goodwill among the younger generations. During the financial year, the Authority undertook three CSR activities to promote education. These include;

Donation to Githunguri Boys Secondary School.

The Authority received a request from Githunguri Secondary School to construct a classroom. Githunguri Boys Secondary School is a boys School in Nyandarua County in dire need of a classrooms. Towards this cause AFA donated Kshs. 1,000,000.00 towards the construction of a classroom.

Donation to Sigowo Primary School.

The Authority received a request from Sigowo Board Primary School in Baringo County for donation of water tanks. Towards this, AFA donated Kshs. 180,000 to enable them procure two 10,000 Litre water tanks.

Donation to Overseer Education Centre.

The Authority received a request from Overseer Education Centre in Kangemi for donation of food items during the Covid- 19 pandemic period. Towards this cause, AFA donated food items worth Kshs. 165,000.

Environment & sustainable agriculture: AFA recognizes the need to promote sustainable agriculture and safeguard the environment and natural resources. The Authority has developed an environmental health and safety services policy, mobilized staff to engage in environment and natural resources preservation projects in the community

Agriculture and Food Authority

Financial Statements for the Year Ended 30th June 2020

Health & Safety: The Authority is committed to ensuring that it adheres to the requisite health and safety standards through the prevention of pollution and efficiency use of resources including energy water and raw materials.

The Authority recognizes that a healthy workforce contributes to the productivity of the organization. It therefore invests in the welfare of its employees through the provision of a Medical scheme that caters for all the medical needs of the employees and immediate families.

Youth & Gender: The 2030 vision for gender, youth and vulnerable groups is gender equity in power and resource distribution, improved livelihoods for all vulnerable groups, and responsible, globally competitive and prosperous youth. In line with this, AFA has:

- Improved access of youth and women in business opportunities;
- Provided financial support to women groups to raise their incomes and reduce the gap in estimated earned incomes between men and women;
- Given priority to female employees in the public sector in order to attain at least 30 per cent representation in recruitment, promotion and appointment of women to all decision making levels;
- Mainstreamed gender in the Authority's activities.

Community outreach: Agriculture and Food Authority is committed to being a responsible corporate citizen through the support for appropriate non-political and non-sectarian projects and local charities both with financial and non-financial donations. We aim at supporting the creation of prosperous, educated, sustainable and healthy communities in the environments in which we operate. With a focus on education, health, Sports and the environment, we have developed targeted programmes for local communities, involving commercial sponsorship and significant employee engagement through direct involvement.

Charitable Donations: The Authority has allocated for donations to charity and support for good causes especially with respect to food security, health and education. The amount allocated have been administered and allocated on merit by the CSR Committee.

IX. REPORT OF THE DIRECTORS

The Board of Directors submits the annual report and financial statements for the year ended June 30, 2020 for audit. It comprises the performance and state of affairs of the Agriculture and Food Authority for twelve months in Accordance with the International Public Sector Accounting Standards and the Public Finance Management (PFM) Act, 2012.

Principal activities

The principal activities of the Authority is to develop, regulate and promote best practices in production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural crops as provided for under the Crops Act, 2013.

Results

The results of the Agriculture and Food Authority for the year ended June 30, 2020 are set out on page 20 and 24 herein.

During the year under review, the Authority received a total revenue of Kshs. 3.05 billion from Government grants and internally generated sources. From this revenue, the Authority applied Kshs. 3.2 billion in its programmes thus giving a deficit of Kshs. 173.4 million

The Authority has a total asset of Kshs.17.4 billion and total liabilities of Kshs. 1.9 billion thus giving a net asset of Kshs .15.5 billion

Directors

During year under review, the Authority did not have Board of Directors in place.

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya, section 81 of the Public Financial Management Act, 2012 and section 69 of the Public Audit Act, 2015.

By order of the Board


.....
Corporate Secretary

Date 19/3/21


X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

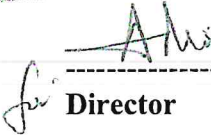
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of Affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority 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 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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



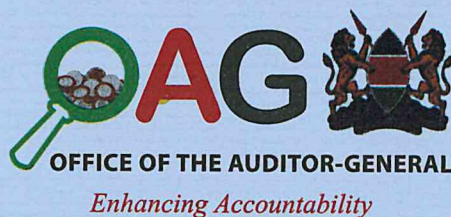
Director



Director

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 AGRICULTURE AND FOOD AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Agriculture and Food Authority set out on pages 20 to 47, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 Agriculture and Food Authority as at 30 June, 2020, 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.

Basis for Adverse Opinion

1. Property, Plant and Equipment

1.1 Unconfirmed Ownership of Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.10,470,889,000 under property, plant and equipment which, as previously reported, includes several properties whose ownership had not been established as explained below:

- (i) The balance includes an amount of Kshs.72,000,000 in respect of land measuring 236.35 hectares in Thika, Kiambu County. However, land measuring 137.2 hectares out of the 236.35 hectares bought with funds from the defunct Coffee Board of Kenya, was registered in the name of a former Chairman. No evidence was provided that the former Chairman refunded the amount incurred in acquiring the land.
- (ii) The reported property plant and equipment balance included an amount of Kshs.161,200,000 representing the value of land on which the defunct Horticultural

Crops Development Authority (HCDA) depots stand and for which title deeds had not been obtained.

- (iii) Included in the reported property, plant and equipment balance is an amount of Kshs.1,280,000,000 in respect of two parcels of land relating to the former Horticultural Crops Development Authority for which the Organization did not have ownership documents. The parcels include a plot situated along Mombasa road, measuring 3.5 hectares valued at Kshs.692,000,000 which was allocated to a private developer even although the Authority holds an allotment letter. Although a ruling by the National Land Commission (NLC) was in favour of the Authority, the private developer had not vacated the land as at the date of the report. Further, the Authority had not obtained ownership documents for the parcel of land at the Jomo Kenyatta International Airport (JKIA) valued at Kshs.588,000,000 where the Horticultural Crops Directorate (HCD) is located.
- (iv) As previously reported, in the year 2000, Horticultural Crops Directorate constructed a depot in Machakos at a cost of Kshs.55,677,000. The depot was one of the seven satellite depots meant for horticultural produce handling facilities (HPHF). Although the facility's sole purpose was to pre-cool horticultural produce and provide market access support for smallholders, the facility is currently occupied by the County Government of Machakos. No evidence was provided that the County Government had signed a lease agreement with the Authority for use of the facility as at the date of this report.
- (v) The reported property, plant and equipment balance includes a piece of land measuring 8.1 hectares valued at Kshs.1,600,000,000 located in Embakasi which was previously owned by the Coffee Board of Kenya from October, 1986. However, the land remained unutilized and may be prone to illegal acquisition by informal squatters. Additional information indicated that a Development Company also claimed to have acquired the parcel on 03 July, 2009. It was not clear how the Company came to own the parcel of land.

1.2 Un-disclosed Non-Current Assets

As previously reported, the reported property, plant and equipment balance excluded the value of various assets as explained below:

- (i) The fixed assets register provided for audit revealed that the Authority had excluded ten (10) acres of land situated in Wundanyi, Taveta and one hundred and twenty-seven (127) acres situated in Kitui valued at Kshs.36,600,000 and Kshs.4,000,000 and allocated to the defunct Horticultural Crops Development Authority and the defunct Cotton Board of Kenya, respectively. No explanation was provided for the failure to include the two pieces of land in the assets register and the financial statements of the Authority.
- (ii) The reported property, plant and equipment balance excludes seven acres of land in Mtwapa that had been allocated to the defunct Kenya Coconut Development Authority by the defunct Kenya Agricultural Research Institute. In addition, the ownership had not been transferred by the Kenya Agricultural Research Institute by

the time the Authority ceased to exist upon the commencement of the Crops Act, 2013.

- (iii) The defunct Cotton Board of Kenya had property, plant and equipment with a net book value of Kshs.210,759,785 and investments of Kshs.13,940,758 in Meru Ginnery Limited as at 30 June, 1993. However, the Management has not satisfactorily explained how these property, plant and equipment were accounted for upon the creation of the defunct Cotton Development Authority.
- (iv) The value of motor vehicle registration number KBG 517C, which was registered in the name of Coffee Research Foundation was removed from the books of accounts of the Authority under unclear circumstances.
- (v) The reported property, plant and equipment balance excludes capital expenditure totalling Kshs.2,289,347,764 incurred on the acquisition of the Cane Testing Units and Laboratories in the years 2014 to 2018.
- (vi) The property, plant and equipment balance of Kshs.10,470,889,000 excludes the value of a property in Riverside Estate where the defunct Cotton Development Authority's head office was located. Information available indicates that the property belonged to the defunct Cotton Board of Kenya and was charged against a bank loan that the Board failed to service. The bank subsequently sold the property for Kshs.21.5 million through a public auction held in November, 2000.

Further, records show that the purchaser of the property paid the bank an amount of Kshs.8,375,000 representing the balance of the outstanding loan, upon which the bank released the documents relating to the property to the purchaser. The purchaser thereafter sought to transfer the title to the property in his name before clearing the balance of Kshs.13,125,000. The Board, however, declined to execute the transfer documents and the purchaser filed a case in the High Court in November 2008. Although the case was determined on 25 September, 2015, the Authority has not obtained the title deed to the property and consequently the ownership could not be confirmed.

1.3 Fleet Management

The statement of financial position reflects a net book value of Kshs.10,470,889,000 under property, plant and equipment which, as disclosed in Note 31 to the financial statements, includes an amount of Kshs.75,449,000 relating to automobiles. However, a review of motor vehicle records held by the Authority revealed the following:

1.3.1 Documents of Ownership Not in Custody of the Authority

With the formation of Agriculture Food Authority in 2014 through the Crops Act 2013, various regulatory institutions were merged and centralized with some of their functions performed at Head Office. Among these functions is management of the motor vehicle fleet. All the ownership documents were to be held at the Head Office by the Legal Department. However, it was observed that after the merger, Management failed to

secure all the ownership documents and did not have custody of logbooks for forty (40) motor vehicles.

1.3.2 Logbooks in the Name of Defunct Institutions and Boards

On commencement of the Crops Act, 2013 on 1st August, 2014, the former regulatory institutions in the Agriculture Sector were merged into Directorates under the Authority. However, the ownership documents of seventeen (17) motor vehicles were still registered in the defunct Institutions' names. Evidence of Management effort to register the vehicles in the Authority's name was not provided.

1.3.3 Unreconciled Motor Vehicle Records

The Authority maintained an electronic fixed asset register where all assets had been allocated asset ID Numbers and where details of the cost of the assets, accumulated depreciation, additions and net book values were provided. However, motor vehicle registration numbers were not included in the fixed assets register. Although a separate list containing motor vehicle registration number, model, location and Directorate was maintained, reconciliation of the two sets of records held by the Authority was not possible hindering physical verification of the location and condition of the vehicles.

In the circumstances, the accuracy, completeness and ownership status of the reported property, plant and equipment balance of Kshs.10,470,889,000 as at 30 June, 2020 could not be confirmed.

2. Unsupported Investments in Subsidiary

As previously reported, the statement of financial position reflects a balance of Kshs.389,000 under investments which relates to investments on coffee exchange shares. However, the reported investment balance of Kshs.389,000 differed with the amount of Kshs.148,200 reflected in the share certificates, resulting in an unexplained difference of Kshs.240,800.

In the circumstances, the accuracy of the value of investments reflected in the financial statements could not be confirmed.

3. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.3,386,661,000 which, as disclosed in Note 21 to the financial statements, includes bank balances totalling to Kshs.833,963,000. The following anomalies were noted regarding the balance:

3.1 Authority to Operate Bank Accounts

As previously reported, the Authority continued to operate forty-one (41) bank accounts instead of twenty-three (23) bank accounts as provided under The National Treasury Circular Ref: AG.3/88/1/33 dated 17 May, 2018. Further, two bank accounts operated by the Sugar Directorate Account No.1001009339300 and Account No.1001419222 were ordered closed but were still operational. Although Management provided letters to the

Banks requesting for closure of the unauthorized accounts, no explanation was provided for the delayed closure of the bank accounts.

3.2 Lost Investment in Euro Bank

As disclosed in Note 21 to the financial statements, included in the cash and cash equivalents balance of Kshs.3,386,661,000 are the short-term deposits of Kshs.1,167,438,000. As previously reported, the short-term deposits includes an amount of Kshs.52,237,374 in respect of deposits placed in Euro Bank which was placed under receivership in the 1990s. Although the deposits were provided for in full, the Authority has not provided evidence of the efforts made to recover the deposits.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.3,386,661,000 as at 30 June, 2020 could not be confirmed.

4. Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.3,520,400,000. As disclosed in Note 22 to the financial statements, the balance included trade debtors amounting to Kshs.3,468,013,000 of which an amount of Kshs.3,220,591,365 related to long outstanding balances from four (4) Directorates: Sugar Directorate - Kshs.3,118,828,814, Horticulture Development Directorate - Kshs.91,053,346, Fibre Directorate - Kshs.2,072,532 and Coffee Directorate - Kshs.8,636,673.

In addition, included in the amount of Kshs.3,118,828,814 attributed to the Sugar Directorate, is an amount of Kshs.229,121,576 relating to Sugar Development Fund which had been outstanding for more than two years. No evidence of efforts towards the recovery of the amounts was provided.

5. Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance of Kshs.12,596,000 under receivables from non-exchange transactions which includes an amount of Kshs.9,263,354 or 74% that has been outstanding for a long period. No evidence of efforts towards the recovery of the receivables was provided.

6. Trade and Other Payables from Exchange Transactions

6.1 Long Outstanding Payables

The statement of financial position reflects a balance of Kshs.687,506,000 under trade and other payables from exchange transactions. As disclosed in Note 24 to the financial statements, an amount of Kshs.673,568,000 related to trade payables of which payables amounting to Kshs.605,085,562 or (79%) were long outstanding, with some outstanding for over eight (8) years.

No reason has been provided for the failure to settle the long outstanding debts.

6.2 Unresolved Issues on Trade and Other Payables from Exchange Transactions

The trade and other payables from exchange transactions balance of Kshs.687,506,000 reflected in the statement of financial position excludes an amount of Kshs.2,636,872,172 relating to the defunct Coffee Board of Kenya, which, as previously reported, had been written off as an old balance on the recommendation of a consultant. However, approvals for the write-off from both the Parent Ministry and The National Treasury were not provided for audit review.

Under the circumstances, the legality of the write-offs effected in the financial year 2010/2011 could not be confirmed.

7. Unsupported Balance on Grant Reserve in the Statement of Changes in Net Assets

The statement of changes in net assets reflects an amount of Kshs.79,394,000 under grant reserves and described as capital/development grant utilized during the year. The funds were used to pay for GOK fertilizer subsidy to the National Cereals and Produce Board (NCPB) and a private company. As per letter referenced MOA/FIN/3/8, the Principal Secretary, Crop Department authorized payment of Kshs.67,512,139 to the National Cereals and Produce Board as per the recommendations of the Internal Auditor. However, the Authority paid a total of Kshs.67,233,730 to the NCPB and an additional amount of Kshs.12,160,973 to a private company for Mumias Sugar farmers without approval.

In addition, the total amount of Kshs.79,394,703 on payment of subsidized fertilizer paid from the grant reserve was not budgeted for in the year under review.

8. Irregularities in Payment of Salaries

The statement of financial performance reflects employee costs amounting to Kshs.998,285,000 which, as disclosed in Note 12 to the financial statements, relates to salaries and wages, pensions, medical expenses, staff gratuities and other staff related costs. A review of the payroll revealed that the Authority engaged a member of staff on contract terms who later proceeded on study leave as per approval of the Authority through the Training Committee on 3 August, 2017. The study-leave commenced in September, 2017 for a period of three years. The terms of the approval of the leave provided that during the period of study, salary, remunerative allowances and medical benefits were not payable. However, during the period of study the Authority continued remitting monthly salary to the officer. A total of Kshs.2,945,080 was paid under unclear circumstances.

9. Disbursements to Farmers

The statement of financial performance reflects disbursements of Kshs.670,567,000 which, as disclosed in Note 13 to the financial statements, related to disbursements to Sugar Farmers and other Programmes. However, the following was noted:

9.1 Farmers Bank Account Name Differs with Farmers Name

The disbursements of Kshs.670,567,000 included an amount of Kshs.4,904,497 paid to thirty-one (31) farmers whose bank account names differed with the names of the farmers.

Consequently, the validity of the Kshs.4,904,497 paid to the farmers could not be confirmed.

9.2 Funds Disbursed to Saccos

The disbursements of Kshs.670,567,000 also included an amount of Kshs.846,783 paid to farmers through a SACCO. However, the SACCO had been placed under receivership for defaulting in paying a loan with a local bank. The disbursements were utilized in partial payment of the bank loan. Similarly, payments amounting to Kshs.8,225,576 to another SACCO were utilized to offset the overdraft in the SACCO's bank account.

Consequently, the funds were not received by the intended recipients.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agriculture and Food Authority 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

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2020. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, some unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Operationalize Cane Testing Units

The statement of financial performance reflects repairs and maintenance costs totalling Kshs.329,484,000. As disclosed in Note 15 to the financial statements, the amount includes Kshs.282,464,000 on repairs and maintenance of plant and equipment which includes Kshs.277,257,168 spent on Cane Testing Units (CTUs) repairs, maintenance and licenses.

Additional information indicated that the authority to use Kshs.359,003,000 from reserves to operationalize, run and maintain the CTU project was granted by The National Treasury on 19 December, 2019. However, the CTU project had not been operationalized at an industrial level and therefore the benefits of the cane testing units had not been realized since inception.

In addition, as previously reported, it was not clear whether the cane testing units were useful to the sugar mills considering that the sugar mills had not fully embraced payment to farmers based on sucrose content as envisaged when the project was initiated. Audit inspection to the cane testing units revealed that the CTUs were operational and maintained but cane testing was voluntary since it was still under pilot phase. Further some mills like Chemilil Sugar Company did not have an ERP system to connect to the CTUs' software.

From the foregoing, the value for money on repairs and maintenance totalling to Kshs.277,257,168 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Substantive Board Members

As previously reported, the Authority functioned without a substantive Board of Directors from 7 November, 2017 when the term of the interim Board Members lapsed. There was, therefore, no support to the Accounting Officer with regard to responsibilities for issues of risk, control and governance and associated assurance and follow up on implementation of recommendations of internal and external auditors as envisaged under Regulation 175 of the Public Finance Management (National Government) Regulations, 2015.

2. Information Technology (IT) Internal Controls

2.1 IT Governance Gaps

The Authority had not instituted an ICT Strategic Committee or an IT Steering Committee. In addition, a formal, documented and tested emergency procedure for use in the event of an unforeseen occurrence had not been established neither did the Authority have an approved Disaster Recovery Plan.

2.2 ICT Infrastructure Weaknesses

The Authority uses an ERP (Enterprise Resource Planning) Solution system with various modules adopted by the Authority, namely, Finance, Customer Relationship Management, and Human Resource Management. All the directorates are linked through the system. However, the Authority had not achieved full connectivity and integration between the Headquarters and its Directorates. System generated financial records could thus not be accessed on demand from the Headquarters.

In addition, the Horticulture Development Directorate implemented an upgrade of the ERP system while simultaneously running an earlier version of the ERP. The accounts receivables module which entails cash management, receipting and invoicing was maintained in the earlier version and the data subsequently transferred manually to the upgraded system leaving room for human error. Use of two systems with the same capability may compromise the data of the Horticulture Directorate.

Further, the Authority has an Information Management System that provides for official communication, through staff emails operated within a secure domain. However, the staff used personal emails for official communication posing a risk to data security.

2.3 Sub-Modules not Secured and Integrated

Agriculture and Food Authority maintains its financial information through a system which integrates all functional departments of the Authority namely; human resource, procurement, administration, finance and accounts through sub-modules. A review of the data on payables revealed that the sub modules were not properly secured and integrated because the vendor payment would be processed by keying in the vendor details instead of the system picking the vendor automatically from the vendor list. Hence, vendors would appear severally with different name formats.

Consequently, the ERP system may be manipulated to process unauthorized transactions and the reports generated from the system may not reflect the true position of the account balances.

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 processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability of to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of intention to terminate the Authority 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 Authority's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease sustaining its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agriculture and Food Authority 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.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

13 August, 2021

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

XII. STATEMENT OF FINANCIAL PERFORMANCE

	NOTES	2019/2020	2018/2019
		Kshs '000	Kshs '000
Revenue from Non-Exchange Transactions			
Government Grants –(Recurrent & Development)	6	2,581,000	4,104,757
Fines, Licenses, Permit, Penalties and Levies	7	208,488	195,966
		2,789,488	4,300,723
Revenue from Exchange Transactions			
Rental Revenue from Facilities and Equipment	8	126,112	152,277
Finance Income - External Investments	9	95,925	144,556
Finance Income - Outstanding Receivables	10	37,038	18,773
Other Income	11	6	1199
Total Revenue from Exchange Transactions		259,081	316,805
Total Revenue		3,048,569	4,617,527
Expenses			
Employee Cost	12	998,285	1,001,976
Disbursements	13	670,567	2,085,430
Depreciation and Amortization Expense	14	235,720	239,419
Repairs and Maintenance	15	329,484	281,499
Regulation and Compliance	16	102,217	146,095
Technical and Advisory	17	148,984	240,831
Market Research and Development	18	146,676	236,443
Operating / Administrative Expenses	19	590,495	594,755
Total Expenses		3,222,427	4,826,449
Other Gains/(Losses)			
Gain/(Losses) on Foreign Exchange Transactions	20	1,665	705
Surplus for the Period		(172,194)	(208,215)

The notes set out on pages 27 to 45 to form an integral part of the Financial Statements

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

XIII. STATEMENT OF FINANCIAL POSITION

	NOTES	2019/2020	2018/2019
		Kshs '000	Kshs '000
Current Assets			
Cash and Cash Equivalents	21	3,386,661	3,358,668
Receivables from Exchange Transactions	22	3,520,400	3,491,148
Receivables from Non-Exchange Transactions	23	12,596	12,939
		6,919,657	6,862,756
Non-Current Assets			
Property, Plant and Equipment	31	10,470,890	10,671,296
Investments	30	389	389
Intangible Assets (Software, Trademarks and Patents)	32	17,492	29,829
Sub Total		10,488,771	10,701,514
Total Assets		17,408,428	17,564,271
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	24	687,506	698,861
Refundable Deposits from Customers	25	6,732	3,867
Current Provisions	26	70,679	64,559
Employee Benefit Obligation	27	813,319	609,483
Tax Obligations	28	332	1310
Sub Total		1,578,567	1,378,081
Non-Current Liabilities			
Non- Current Provisions	29	326,820	326,820
Sub Total		326,820	326,820
Total Liabilities		1,905,388	1,704,901
Net Assets		15,503,040	15,859,369
Reserves		14,931,649	15,011,043
Accumulated Surplus	33	571,391	848,326
Total Net Assets and Liabilities		15,503,040	15,859,369

The Financial Statements set out on pages 20 to 24 were signed on behalf of the Board of Directors by:-

Director General
Name: Kello Harsama

Head, Finance
Name: Elias Kiragu
ICPAK M/no 3153

Sign.....

Date.....

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Sign.....

Date.....

Agriculture and Food Authority
Financial Statements for the Year Ended 30th June 2020

XIV. STATEMENT OF CHANGES IN NET ASSETS

	Revaluation Reserve	Retained Earnings	Capital Reserve	Grants Reserve	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 31st July 2019	9,780,913	1,053,216	1,219,290	4,042,664	16,096,083
Revaluation of Assets	-	(208,215)	-	-	(208,215)
Transfers to/from Accumulated Surplus	-	3,325	-	(31,824)	(28,499)
Balance as at 30 June 2020	9,780,913	848,326	1,219,290	4,010,840	15,859,369
As at July 2019	9,780,913	848,326	1,219,290	4,010,840	15,859,369
Surplus for the Period	-	(172,194)	-	-	(172,194)
Return of surplus funds to National Treasury	-	(104,741)	-	-	(104,741)
Capital/ Dev't Grant Utilised During the Year	-	-	-	(79,394)	(79,394)
Balance as at 30 June 2020	9,780,913	571,391	1,219,290	3,931,446	15,503,040

XV. STATEMENT OF CASH FLOWS

	NOTES	2019/2020	2018/2019
		Kshs '000	Kshs '000
Cash Generated from Operations			
Surplus for the Year Before Tax		(173,353)	(208,215)
Adjusted for:			
Depreciation	14	235,720	239,419
Gains and Losses on Disposal of Assets/ Foreign Exchange		(1,665)	(705)
Transfers to/from Accumulated Surplus		(184,135)	(28,499)
Finance Income	9&10	(132,963)	(163,329)
Working capital adjustments:			
Increase/Decrease in Receivables	22&23	(27,749)	(143,629)
Increase/Decrease in Payables	24-29	200,486	234,918
Net Cash Flows from Operating Activities		(83,659)	(70,041)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment & Intangible Assets	31&32	(22,975)	(46,875)
Gains and Losses on Disposal of Assets/ Foreign Exchange	20	1,665	705
Finance Income	9&10	132,963	163,329
Net Cash Flows used in Investing Activities		111,652	117,159
Cash Flows from Financing Activities			
Net Cash Flows used in Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		27,993	47,118
Cash and Cash Equivalents at 1 July		3,358,668	3,311,549
Cash and Cash Equivalents at 30 June	21	3,386,661	3,358,668

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
ITEM DESCRIPTION	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
EXPECTED REVENUE	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Total Internally Generated Income	227,325	-	227,325	208,488	(18,837)
Government Recurrent Grant	1,813,136	-	1,813,136	1,808,936	(4,200)
Government Development Grant	102,000	-	102,000	99,000	(3,000)
Government Recurrent Grant- Sugar Arrears	673,064	-	673,064	673,064	-
Total Government Recurrent Grant	2,588,200	-	2,588,200	2,581,000	(7,200)
Other Recurrent Revenue	311,063	-	311,063	259,081	(51,982)
TOTAL REVENUE	3,126,588	-	3,126,588	3,048,569	(78,019)
Personnel Cost	1,070,056	-	1,070,056	998,285	71,771
Board expense	30,501	-	30,501	-	30,501
Disbursements	774,999	-	774,999	670,567	104,432
Core Functions	474,632	-	474,632	397,876	76,756
Operating and Administrative Costs	597,878	-	597,878	590,495	7,383
Repairs and Maintenance	61,738	359,003	420,741	329,484	91,257
Depreciation and Amortization	116,214	-	116,214	235,720	(119,506)
TOTAL EXPENDITURE	3,126,018	359,003	3,485,021	3,222,427	262,594
Total Other Gains/(Losses)	-	-	-	1,665	(1,665)
SURPLUS	570	-	(358,433)	(172,194)	
CAPITAL BUDGET					
Buildings	-	-	-	1,931	(1,931)
Automobiles	-	-	-	-	-
Computer and Electronic Equipment	-	-	-	11,588	(11,588)
Office and Communication Equipment	-	-	-	7,543	(7,543)
Furniture and Fittings	-	-	-	1,914	(1,914)
TOTAL CAPITAL BUDGET	-	-	-	22,975	(22,975)

VARIANCE ANALYSIS

Variances arising from a comparison between the budget and actual performance is explained as follows:

1. Internally Generated Income

The total amount received by the Authority in the FY 2019/20 is Kshs 208.49 million against a target of Kshs. 227.33 million registering a negative variance of Kshs 18.84 million. This was a result of the decline export cess due to a slowdown in the last quarter of the year.

2. Government Grants

The total amount received by the Authority in the FY 2019/20 is Kshs 2.581 billion against a target of Kshs. 2.588 billion registering a negative variance of Kshs 7.2 Million. The variance arose from the government grant that was not received from the parent ministry as at the close of the financial year. The amount received include Kshs 673.06 million for the payment of arrears to sugar farmers, Kshs 64 million for the revitalisation of the cotton industry and Kshs 35 million for Inter African Coffee Organisation Conference (IACO).

3. Other Recurrent Revenue

The total amount received by the Authority in the FY 2019/20 is Kshs 259.1 million against a target of Kshs. 311 million registering a negative variance of Kshs 51.9 million owing to the decrease in investment income.

4. Personnel costs.

The Authority had budgeted to spend Kshs. 1.073 billion on staff salaries and wages in year but the actual expenditure was Kshs. 998.3 million, registering a positive variance of Kshs 71.8 million. The positive variance arose from non-payment of the harmonised salaries after job evaluation.

5. Board Expense

The Authority had budgeted to spend Kshs. 30.5 million. However, for the FY 2019-2020, the Authority did not have a board in place and the vote was not utilised.

6. Disbursements

This relates to funds used in payment to sugar cane farmers' arrears, cotton revitalisation and Inter African Coffee Organisation Conference (IACO) as follows:

- Cotton Revitalisation 54.07M
- Disbursements to Sugar Farmers 580.9M
- Inter African Coffee Organisation Conference. 35.58M

The Authority had budgeted to spend Kshs. 775 million on for disbursement in year but the actual expenditure was Kshs. 670.6 million, registering a positive variance of Kshs 104.4 million. The variance emanated from unpaid sugarcane farmer's arrears by the close of the financial year.

7. Core Functions

This Comprises of expenditure under the three technical departments excluding funds spent on the Cotton Revitalisation Project and Inter African Coffee Organisation Conference as follows;

- Technical and Advisory Services	203.1
- Regulation and Compliance	102.2
- Market Research and Product Development	182
Total	397.61

The Authority had budgeted to spend Kshs. 474.6 million on for the 3 core functions in year but the actual expenditure was Kshs. 397.87 million, registering a positive variance of Kshs 76.8 million. The variance emanated from programmes not undertaken in the 4th quarter due to the Covid-19 pandemic.

8. Operating and Administrative Expenses

The Authority had budgeted to spend Kshs. 597.9 million, but the Authority spent Kshs. 590.5 million resulting to a positive variance of Kshs. 7.4 million.

9. Depreciation and Amortisation

The Authority had provided for Kshs. 116.2 million for depreciation of assets in year but the actual depreciation was Kshs 235.7 Million, registering a negative variance of Kshs 119.5 million.

10. Capital Expenditure

The Authority spent Kshs. 22.97 million on capital items whose approval and procurement related to the FY 2018-19 but completed in the period under review.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Agriculture and Food Authority is established by and derives its authority and accountability from Agriculture and Food Authority and Crops Act 2013. AFA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to develop, regulate and promote all scheduled crops as provided in the Crops Act 2013.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumption. It also require management to exercise judgement in the process of applying the Authority's accounting policies. The area involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 5. The accounting policies adopted have been consistently applied to the years presented.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agriculture and Food Authority and all values are rounded to the nearest thousand (Kshs. '000').

The financial statements have been prepared historical cost basis except for the measurement at the revalued amounts of certain items of property, plant and equipment. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the State Corporation Act and International Public Sector Accounting Standards (IPSAS).

3. ADOPTION OF NEW AND REVISED STANDARDS

Adoption of new and revised standards and interpretations in IPSASs 33-38. According to IPSASs 33-38, a first-time adopter shall apply these Standards if its first IPSAS financial statements are for a period beginning on or after January 1, 2017. However, the Authority adopted IPSAS Accrual in August 2014 and presented its first IPSAS Accrual Financial Statements in June 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The Agriculture and Food Authority recognizes revenues from fees, licences, levies and cess when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or

service potential associated with the asset will flow to the Agriculture and Food Authority and the fair value of the asset can be measured reliably.

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 Agriculture and Food Authority and can be measured reliably.

i) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Agriculture and Food Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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.

Rental income

Rental income arising from operating leases on Investment properties is accounted for on a straight line basis over the lease terms and included in the revenue.

b) Budget information – IPSAS 24

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

c) Taxes – IAS 12

Agriculture and Food Authority is a State Corporation created from the merger of defunct agricultural state corporations that were exempted from taxation in accordance with 1st schedule of the Income Tax Act Cap 470 (Revised 2014). According to Section 13 & 14 of the Income Tax Act 2014, The Tea Board of Kenya, The Pyrethrum Board of Kenya, The Sisal Board of Kenya, The Horticultural Crops Development Authority and The Cotton Board of Kenya were exempted from income tax. The Authority is funded from the consolidated fund and by way of government grants and does not have other significant sources of income. However, the Authority is registered for PAYE, VAT and Income taxes.

d) Investment property – IPSAS 16

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment – IPSAS 17

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 Agriculture and Food Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

The Authority applied the Straight Line Method for depreciating all fixed assets as follows: -

Asset	Depreciation Rate	Useful Life
Land		Leasehold period
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Motor Vehicles	25.00%	4yrs
Computers	33.30%	3yrs
Office & Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

f) Leases – IPSAS 13

Leases are broadly categorised into Finance leases and Operating Leases. Finance Lease are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. However, the Authority had no assets categorized as finance lease as at the date of reporting.

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. As at the time of the reporting the Authority had entered into various lease agreements with several tenants occupying its premises and vice-versa with landlords it has leased properties from. Where the Authority has leased out its premises, assets are recognized and presented in the financial position according to

the nature of the assets and lease income recognized as revenue on a straight-line basis over the lease term. Similarly, costs including depreciation, incurred in earning lease revenue are recognised as an expense. This is in accordance with IPSAS 13: Leases, which states that operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets – IPSAS 31

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.

Asset	Depreciation Rate	Useful Life
Intangible Assets	20%	5yrs

h) Financial Instruments

In accordance with paragraph 38 of IPSAS 30: Financial Instruments - Disclosures, an entity shall disclose information that enables users of its financial statements to evaluate the nature and the extent of risks arising from the financial instruments to which the entity is exposed to at the end of the reporting period. These risks typically include, but not limited to credit risks, liquidity risks and market risks. These financial instruments include information on financial assets at fair value through surplus and or deficit, held-to-maturity investments, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through surplus and or deficit and financial liabilities measured at amortized cost.

As at the reporting date, the authority did not have any financial instruments that gives rise to both. Financial asset for one entity and a financial liability for another entity as defined in IPSAS 28: Financial Instruments –Presentation. Consequently, there were no qualitative and quantitative disclosures on risks arising from financial instruments by the Authority as at the reporting date.

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

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 Agriculture and Food Authority 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.

(i) Inventories – IPSAS 12

According to IPSAS 12; Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations. However, the Authority as service-based public institution does not carry significant amount of inventory as it is procured in small quantities and therefore expensed when it is procured.

(j) Provisions, Contingent Liabilities and Contingent Assets - IPSAS 19

Provisions

Provisions are recognised when AFA 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 obligation.

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

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

Contingent liabilities

The Agriculture and Food Authority shall not recognize but has disclosed contingent liabilities in the financial statements in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets.

Contingent Assets

The Authority shall not recognize but has disclosed contingent assets in the financial statements for year in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. The contingent asset relates to the parcel of land the defunct Coconut Development Authority applied for within Kenya the Agricultural Research Institute (KARI) through the Ministry of Agriculture for the purpose of constructing Headquarters at Mtwapa. The Authority is yet to receive the ownership documents and therefore treats it as a contingent asset.

k) Nature and Purpose of Reserves – IPSAS 1

In accordance with IPSAS 1: Presentation of financial Statements, where an entity has no share capital, it shall disclose net assets/ equity, either on the face of the statement of financial position or in the notes, showing separately: contributed capital, accumulated surpluses, reserves (including a description of the nature and purpose of each reserve within net assets/ equity; and minority interests. The Authority maintains the following reserves for the purposes stated: -

1. **Capital Reserve** – This represents the seed money/capital advanced or granted by the government for establishment of the defunct State Corporations forming the Authority. It is primary reserve that finances major assets of the Authority.
2. **Revaluation Reserve** – This is the reserve created from revaluation of fixed assets i.e. the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17: Plant, Property and Equipment. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements.
3. **General Reserve** – This is created from accumulated surplus of the Authority and is used to strengthen the liquid resources of the Authority.
4. **Grant Reserve** – This relates to grants received from the government for development of the sugar industry

I) Accounting Policies, Changes in Accounting Estimates and Errors - IPSAS 3

The Authority shall apply IPSAS 3 in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. The Authority shall correct (where practicable) material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery.

(m) Employee Benefits – IPSAS 25

Retirement Benefit Plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays monthly contributions into a separate 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.

Gratuity Obligations

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognised when they are accruing to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

(n) Foreign Currency Transactions – IPSAS 4

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.

(o) Borrowing Costs – IPSAS 5

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.

p) Related Parties – IPSAS 20

The Agriculture and Food Authority regards a related party as a person with the ability to exert control individually or jointly, or to exercise significant influence over the Agriculture and Food Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General, Heads of Directorates and senior managers.

Paragraph 25 of IPSAS 20: Related Party Disclosures, an entity shall disclose related party relationships where control exists, irrespective of whether there have been transactions between related parties. Paragraph 27 requires that ‘in respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/ recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm’s length in the same circumstances, the reporting entity shall disclose; the nature of related party relationships, types of transactions and the element of the transactions.

AFA as a State Corporation under the Ministry of Agriculture, Livestock and Fisheries or the Ministry of Agriculture operates under the guidance and Direction of the Ministry. The Interim Board existing at the reporting date was appointed by and reports to the Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries. Furthermore, the Authority received government grants amounting to Kshs. 1.6 billion through the ministry. However, even though some of the major decisions regarding operations of the authority are subject to the approval by the ministry, the Authority operates with a high degree of autonomy.

Furthermore, the Authority owes the government Kshs. 672.8 million loan that was issued by the Government of Kenya to KPCU through the defunct Coffee Board of Kenya. In the books of the Authority, the loan is carried as an asset to KPCU and as a liability to GoK. Since the amount was disbursed by KPCU to farmers, loan recoveries were to be remitted to KPC and then submit to Coffee Board of Kenya for onward repayment of the GoK loan. The board has made several claims to KPCU but apparently no recoveries were made from farmer it’s there improbable the money will ever be recovered in light of the government waiver on coffee loans. Consequently, the defunct CBK had written to treasury for the amount to be written off so that it can be expunged from the books of the accounts.

q) 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 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.

r) Comparative Figures

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

s) Subsequent Events – IPSAS 14

These are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. These events could be those that provide evidence of conditions that existed at the reporting date and those indicative of conditions that arose after the reporting date.

There have been no events subsequent to the financial year end with a significant impact on the financial statements under review.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Agriculture and Food Authority’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.

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 Authority 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 Authority. Such changes are reflected in the assumptions when they occur.

Useful lives and Residual Values

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

- The condition of the asset based on the assessment of experts employed by the Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are recognized when the Authority 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.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates is included in note no. 26 and 29. Provisions are measured at the best management estimates of the expenditure required to settle the obligation at the reporting date and are discounted at present value where the effect is material.

Where the Authority 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.

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6. Government Grants

This relates to funds received for both recurrent and development expenditure from the exchequer through the parent Ministry. These funds are received on a monthly basis based on the approved budget.

	2019/2020	2018/2019
	Shs 000	Shs 000
Government Grants-Recurrent	1,808,936	1,902,636
Government Grants-Capital	99,000	100,000
Grant for Sugar Farmers	673,064	2,102,121
Total Government Grants	2,581,000	4,104,757

Transfers from the Government (Grants)

An amount of Kshs 2.58 billion was received from the Ministry of Agriculture, Livestock, Fisheries and Irrigation in the year under review as follows;

AGRICULTURE AND FOOD AUTHORITY			
FUNDS RECEIVED FROM PARENT MINISTRY FOR THE YEAR 2019-2020			
TRANSFER DATE	DOCUMENT NUMBER	TYPE OF TRANSFER	AMOUNT KSHS 000
19/08/2019	BRCTP0396	Recurrent Grant from Government	151,092
07/10/2019	BRCTP0406	Recurrent Grant from Government	151,092
07/10/2019	BRCTP0407	Recurrent Grant from Government	151,092
08/11/2019	BRCTP0411	Recurrent Grant from Government	151,092
31/12/2019	BRCTP0424	Recurrent Grant from Government	151,093
31/12/2019	BRCTP0425	Recurrent Grant from Government	151,093
14/02/2020	BRCTP0437	Recurrent Grant from Government	207,077
08/04/2020	BRCTP0460	Recurrent Grant from Government	49,872
15/05/2020	BRCTP0462	Recurrent Grant from Government	246,200
14/06/2020	BRCTP0463	Recurrent Grant from Government	253,185
26/06/2020	BRCTP0461	Recurrent Grant from Government	146,048
		SUB-TOTAL	1,808,936
		OTHER RECURRENT GRANT	
01/12/2019		Sugar Cane Farmers Arrears	638,730
01/04/2020		Sugar Cane Farmers Arrears	34,334
		SUB-TOTAL	673,064
		DEVELOPMENT GRANT	
31/12/2019	BRCTP0426	Development Grant from Government	35,000
17/03/2020	BRCTP0459	Development Grant from Government	64,000
		SUB-TOTAL	99,000
		TOTAL	2,581,000

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7. Levies, Fees, Licences, Permits and Cess

This relates to funds received from cess charged from exports, permits and licence fees.

	2019/2020	2018/2019
	Shs 000	Shs 000
Levies	1,419	7,410
Licences and Permits	99,004	78,382
Fees	212	-
Cess	98,818	104,084
Others	9,035	6,091
Total	208,488	195,966

8. Rental Revenue from Facilities and Equipment

This relates to income received from letting of buildings, go-downs and pack houses

	2019/2020	2018/2019
	Shs 000	Shs 000
Rental Income from Buildings	102,910	123,921
Hire of Facility/Equipment	23,202	28,356
Total rentals	126,112	152,277

	2019/2020	2018/2019
	Shs 000	Shs 000
Rental Income from Buildings	102,910	123,921
Hire of Facility/Equipment	22,042	28,356
Total rentals	124,952	152,277

9. Finance Income - External Investments

It relates to interest from short -term deposits made within the financial year.

	2019/2020	2018/2019
	Shs 000	Shs 000
Fixed Deposits	95,925	144,556
Total Finance Income – External Investments	95,925	144,556

10. Finance Income - Outstanding Receivables

This relates to the portion of interest income from short term deposits that has been earned but not received by the reporting date

	2019/2020	2018/2019
	Shs 000	Shs 000
Accrued Interest	37,038	18,773
Total Receivables Finance Income – Outstanding	37,038	18,773

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11. Other income

This includes income from sale of tenders, disposal of assets and sale of periodic statistical reports.

	2019/2020	2018/2019
	Shs 000	Shs 000
Others	6	1,199
Total Other Income	6	1,199

12. Employee Costs

These includes payroll costs, medical expenses, pension and gratuity for staff

	2019/2020	2018/2019
	Shs 000	Shs 000
Employee Related Costs - Salaries and Wages	805,124	825,700
NSSF & Contributions to Pensions	1,199	1,171
Medical Expenses	96,701	94,306
Staff Gratuities	60,392	55,569
Others	34,868	25,229
Total	998,285	1,001,976

13. Disbursements to Sugar Farmers and Programmes

This relates to arrears paid directly to sugarcane farmers for cane delivered to the five sugar mills (Mumias Sugar Company, Chemilil Sugar Company, Muhoroni Sugar Company, Nzoia Sugar and South Nyanza Sugar Company) as per the presidential directive in 2018. This includes expenditure on cotton revitalization programme and the Inter-African Coffee Organization conference.

	2019/2020	2018/2019
	Shs 000	Shs 000
Mumias Farmers	46,781	754,441
Sony Farmers	115,633	397,638
Muhoroni Farmers	188,079	374,350
Nzoia Farmers	153,869	425,845
Chemilil Farmers	76,561	133,156
Cotton Revitalization Programme	54,068	-
Inter-African Coffee Organization	35,576	-
Total Disbursements	670,567	2,085,430

14. Depreciation and Amortization Expense

	2019/2020	2018/2019
	Shs 000	Shs 000
Property, Plant and Equipment	223,383	227,082
Intangible Assets	12,337	12,337
Total Depreciation and Amortization	235,720	239,419

15. Repairs and Maintenance

This relates to expenditure on repairs and maintenance of the Authority's assets and the maintenance of cane testing units

	2019/2020	2018/2019
	Shs 000	Shs 000
Buildings	4,659	10,932
Plant and Equipment	282,464	243,932
Automobiles	19,286	22,852
Computer and Electronic Equipment	21,920	1,496
Office and Communication Equipment	957	574
Furniture and Fittings	197	1,713
Total Repairs and Maintenance	329,484	281,499

16. Regulation and Compliance

This relates to expenditure on the regulatory function including compliance monitoring, surveillance, quality analysis, development, enforcement of standards and regulations.

	2019/2020	2018/2019
	Shs 000	Shs 000
Registration & Licensing	21,262	24,144
Inspections & Surveillance	28,237	34,532
Development and Review of Standards	16,409	20,470
Quality Analysis	9,247	15,289
Stakeholders Fora	16,745	36,607
International Fora/Meetings	8,742	11,845
Consultancies	1,575	3,207
Total Regulation and Compliance	102,217	146,095

17. Technical and Advisory

This relates to expenditure on the crop development, capacity building and technology transfer.

	2019/2020	2018/2019
	Shs 000	Shs 000
Collaborations and co-ordination	21,896	34,947
Stakeholders Capacity Building	53,521	108,121
Environmental Sustainability	4,104	8,332
International Fora/Meetings	8,191	10,091
Seeds Supply & Management	4,523	8,378
Crop Census	11,780	22,575
Cotton Revitalisation Programme	-	47,522
Crop Support	43,091	866
Cotton and Pyrethrum Revitalisation Taskforce	1,878	-
Total Technical and Advisory	148,984	240,831

18. Market Research and Development

This relates to expenditure on market development activities including market research, product promotion, and subscriptions to market associations and value addition.

	2019/2020	2018/2019
	Shs 000	Shs 000
Generic Promotion	77,870	58,993
Market Research & Development	15,116	29,545
Subscriptions to Associations	14,063	10,043
International Conference	18,644	49,063
Value Addition Promotion	17,186	32,256
Market Registration	3,797	5,645
International Coffee Organization	-	50,897
Total Market Research and Development	146,676	236,443

19. Operating /Administrative Expenses

This relates expenditure on support function including employee welfare, communication, rent and rates, local travel, public relations, internal audit and other contracted services on cleaning, security, insurance, legal services and audit fees.

	2019/2020	2018/2019
	Shs 000	Shs 000
Printing and Stationery	11,113	11,511
Communication Telephone and Postage	31,999	22,935
Vehicle Running Expenses	26,404	32,532
Insurance Expenses	25,912	13,904
Local Travel Expenses	117,003	118,970
International travel	9,661	8,121
Security	35,104	35,979
Electricity and water	27,758	26,951
Rent and rates	30,389	24,158
Computer Accessories	9,764	11,066
Record management	1,361	2,407
Cleaning, Garbage & Sanitary	15,210	17,716
Management Fees/Refunds	2,530	4,150
Newspapers, Periodicals, Journals and subscriptions	3,431	3,385
Advertising and Publicity	4,077	2,470
Bank Charges	3,876	3,946
Staff Welfare	45,476	33,166
Trainings, Seminar, Retreats, Workshops & Conferences	58,042	65,240
Consultancies	2,096	952
Subscriptions to Professional Bodies	583	1,243
Staff Uniforms	1,978	77
Team Building	817	2,064

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Audit Fees	10,670	6,960
Internal Audit/ ISO Audits	26,167	36,572
Legal Services	48,873	65,991
Public relations and corporate branding	3,922	5,434
Shows , Exhibitions & trade fairs	25,133	27,101
Corporate Social Responsibility	1,583	2,421
General Expenses	9,562	7,336
Total Operating /Administrative Expenses	590,495	594,755

20. Gain/ losses on Foreign Exchange Transactions

This relates the exchange differences arising from translating account with USD balances in to the reporting currency.

	2019/2020	2018/2019
	Shs 000	Shs 000
Loss on Foreign Exchange Transactions	1,665	705
Total Gain/ losses on Foreign Exchange Transactions	1,665	705

21. Cash and Cash Equivalentents

	2019/2020	2018/2019
	Shs 000	Shs 000
Bank	833,963	1,365,308
Cash-on-hand and in transit	5	12
Short-term deposits	1,167,438	1,631,929
Collateral Deposit	1,385,254	361,419
Total Cash and Cash Equivalentents	3,386,661	3,358,668

Short term deposits relate to funds on three months fixed deposit awaiting to be applied in the programmes

Collateral Deposit relates to funds placed as lien for the staff car loan, mortgage scheme and unsecured personal loans

22. Receivables from Exchange Transactions

This relates to accounts receivables arising from prepaid expenses, trade and rent debtors.

22. Receivables from Exchange Transactions

	2019/2020	2018/2019
	Shs 000	Shs 000
Current Receivables		
Rent Debtors	52,354	31,161
Trade Debtors	3,468,013	3,457,964
Prepayments	33	2,024
Total Current Receivables	3,520,400	3,491,148

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23. Receivables from Non-Exchange Contracts

This relates to amounts owing from staff at the end of the financial year.

	2019/2020	2018/2019
	Shs 000	Shs 000
Staff Debtors	6,370	6,440
Staff Advance	1,633	2,205
Other Receivable	4,593	4,294
Total Current Receivables	12,596	12,939

24. Trade and Other Payables from Exchange Transactions

This comprises of money owed to suppliers, income received in advance and other creditors.

	2019/2020	2018/2019
	Shs 000	Shs 000
Trade Payables	673,568	676,727
Payments Received in Advance	11,260	11,701
Third Party Payable	270	7,649
Other Payables	2,407	2,785
Total Trade and Other Payables	687,506	698,861

25. Refundable Deposits from Customers

This relates to customers' deposits on rental properties

	2019/2020	2018/2019
	Shs 000	Shs 000
Consumer Deposits	6,732	3,867
Other Deposits		
Total Deposits	6,732	3,867

26. Current Provisions

	Contingent Liabilities	Other Provisions	Performance Bonuses	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Balance at the Beginning of the Year	-	64,559	-	64,559
Additional Provisions Raised	-	22,789	-	22,789
Provision Utilized	-	(16,669)	-	(16,669)
Balance as at 30 June 2020	-	70,679	-	70,679

27. Employees Benefit Obligations

	Shs 000
Employee Benefit Obligation	813,319
Total as at 30th June 2020	813,319
Total as at 30th June 2019	609,483

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28. Tax Obligations

This relates to tax withheld from suppliers but not yet remitted to the tax authority by the close of the financial year.

	2019/2020	2018/2019
	Shs 000	Shs 000
Withholding VAT	332	520
Withholding Tax	-	791
Total Tax Obligation	332	1,310

29. Non- Current Provisions

	Contingent Liabilities	Other Provisions	Performance Bonuses	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Balance at the Beginning of the Year	-	326,820	-	326,820
Balance as at 30 June 2020	-	326,820	-	326,820
Balance as at 30 June 2019	-	326,820	-	326,820

30. Investments

The investment relates to the amount invested in establishment of the Nairobi Coffee Exchange before liberalization of the coffee industry in 2007.

	2019/2020	2018/2019
	Shs 000	Shs 000
Investments	389	389
Total Investment	389	389

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1. Property, Plant and Equipment

31. Property, Plant and Equipment										
	Land	Buildings	Plant and Equipment	Automobiles	Computer and Electronic Equipment	Office and Communication Equipment	Furniture and Fittings	WIP	TOTAL	
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Cost										
As at 1st July 2018	7,378,784	3,128,200	484,755	310,705	156,830	193,576	156,231	-	-	11,809,081
Additions	-	-	-	14,738	16,191	3,936	3,424	8,386	-	46,675
Transfers/Adjustments	-	8,386	-	-	-	-	-	(8,386)	-	-
At 30 June 2019	7,378,784	3,136,586	484,755	325,443	173,021	197,512	159,655	-	-	11,855,756
Additions	-	1,931	-	-	11,588	7,543	1,914	-	-	22,975
Transfers/Adjustments	-	-	-	-	3,526	3,526	-	-	-	-
At 30 June 2020	7,378,784	3,138,517	484,755	325,443	181,083	208,581	161,569	-	-	11,878,731
Depreciation and Impairment										
As at 1st July 2018	9,100	78,205	466,094	77,958	131,847	86,266	107,907	-	-	957,377
Depreciation	9,100	78,575	3,109	85,662	21,110	20,235	9,291	-	-	227,082
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
At 30 June 2019	18,200	156,780	469,203	163,620	152,957	106,501	117,198	-	-	1,184,459
Depreciation	9,100	78,465	3,109	85,662	16,385	21,132	9,531	-	-	223,383
Transfer/Adjustment	-	(712)	-	712	(1,322)	1,322	-	-	-	-
At 31 June 2020	27,300	234,533	472,312	249,994	168,020	128,954	126,729	-	-	1,407,842
Net Book Values										
At 31 June 2020	7,351,484	2,903,984	12,443	75,449	13,063	79,627	34,839	-	-	10,470,890
At 31 June 2019	7,360,584	2,979,806	15,552	161,823	20,064	91,011	42,457	-	-	10,671,296
Fully Depreciated Assets										
Freehold Land	6,923,784	-	-	-	-	-	-	-	-	6,923,784
Cost	-	-	459,885	-	131,923	39,529	85,317	-	-	716,653
Would have been Depreciated	138,476	-	57,486	-	43,970	4,941	10,665	-	-	255,537

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The Cane Testing Unit was established through a grant through the Sugar Development Levy and the ongoing European Union under sugar Reform Support programme (SRSP) and was completed in 2014. Under terms of agreement between the EU sponsors and AFA –sugar directorate upon provisional handover of the facility and expiry of the warrants all maintenance requirements and obligations were to be taken by beneficiary. The Overall objective of the Cane Testing Units (CTUs) was to enable Kenya Sugar Industry transform from the current weight based system to quality based cane payment system. CTUs were constructed and equipment installed in eleven (11) sugar factories at a cost of Kshs. 2.289 Billion. The assets do not form part of the AFA portfolio and are meant to be transferred to CTU project once the regulations for sugar industry are finalized.

32. Intangible Assets

	2019/2020	2018/2019
	Kshs '000	Kshs '000
COST		
At July 1	120,283	120,083
Software Additions	-	200
At June 30	<u>120,283</u>	<u>120,283</u>
AMORTISATION		
At July 1,	90,454	78,121
Charge for the year	12,337	12,337
At June 30	<u>102,791</u>	<u>90,454</u>
NET BOOK VALUE		
At June 30	<u>17,492</u>	<u>29,829</u>
Fully Amortized Assets		
Cost	58,599	58,599
Would have been Amortized	11,720	11,720

33. General Reserve/Accumulated Surplus Assets

	<u>Kshs '000</u>
As at July 2019	848,326
Surplus for the Period	(172,194)
Return of surplus funds to National Treasury	(104,741)
Balance as at 30 June 2020	<u>571,391</u>

During the financial year, the Authority remitted surplus funds to the National Treasury in accordance to the Reg. 219 (2) of the Public Financial Management Regulations, 2015

34. FINANCIAL RISK MANAGEMENT

AFA overall risk management programme focuses on unpredictability of changes in the operational environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority 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 Authority’s financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority does not have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

(ii) Liquidity risk management

The Authority depend on government grants to finance most of its operations. This may expose the Authority to liquidity risk due to non-receipt or delays in receipt of government grant. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The Authority has limited exposure to market risks. Therefore, AFA 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.

APPENDIX I: 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)
2	Case HCCC NO.152 of 2004 for Rehabilitation of Kahawa House	The refurbishment done on Kahawa House in 1998/99 was due to the bomb blast that knocked the Nairobi City in 1998 necessitating repairs to the windows and window fixtures and frames in the building. There was a need to refurbish the building for use which was approved by the Board in its sitting of 18th August 2000. The committee had noted that the building was in a pathetic state and needed urgent rehabilitation.	Interim Director General	Not resolved	N/A


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
2.4	Court case no. HCCC NO. 1285 of 2001 Cotton Board of Kenya =vs= John Mututho	According to the judgement of the Court of Appeal dated 25th September 2015, the purchaser (Mr. John Mututho) upon the hammer paid Kshs. 8,375,000= being 25% of the bid and promised to pay the balance within six months of the agreement of which he did not honour within the timeline. Consequently, the case was ruled in favour of the Authority and the Authority is pursuing the title documents for the property.	Interim Director General	Not resolved	N/A

Director General
Kello Harsama

Signature


Date.....


 19/3/21

Head of Finance
Elias Kiragu

Signature

Date.....


 19/3/2021

