

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KIMIRA OLUCH SMALLHOLDER FARM
IMPROVEMENT PROJECT (ADF LOAN
NO.2100150012296)**

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

**STATE DEPARTMENT FOR REGIONAL AND
NORTHERN CORRIDOR DEVELOPMENT**

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 02 FEB 2022 DAY: Wed

TABLED BY: Majority Whip
CLERK-AT-THE-TABLE: Fulay Muriuki





KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT

**STATE DEPARTMENT FOR REGIONAL & NORTHERN CORRIDOR
DEVELOPMENT**

ADF LOAN NO. 2100150012296

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
for the financial year ended June 30, 2021*

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: The project's official name is "Kimira Oluch Smallholder Farm Improvement Project" (KOSFIP).

Objective: The key objective of the project is to improve income levels in a sustainable manner for 3,000 rural households in Homa Bay County through improved agricultural productivity for poverty reduction and improved livelihoods.

Address: The Project Headquarters Offices are located in Homa Bay town, Kenya.

The address of its Registered Office is:

P.O. Box 293-40300
Ministry of Public Works Building
Kendu Bay –Homa Bay Road
Homa Bay, Kenya

Contacts: The following are the Project contacts:-

Telephone: (254) 059-223222
E-mail: kosfip1@gmail.com
Website: www.go.ke

1.2 Project Information

Project Start Date:	13th February, 2007
Project End Date:	30 th June, 2022
Ag. Project Manager:	Juma Robinson Jalang'o
Project Sponsor:	African Development Bank (ADB) and GOK

1.3 Project Overview

Line Ministry/State Department of the project	The Project is under the supervision of Ministry of East African Community and Regional Development, State Department for Regional & Northern Corridor Development.
Project number	ADF LOAN NO. 2100150012296
Strategic goals of the project	The strategic goals of the project are as follows: (i) To enhance sustainable income levels for 3,000 rural households in Homa Bay County and thus help in alleviating poverty. (ii) To improve agricultural productivity and value of the produce for

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	poverty reduction and improved rural livelihoods in Homa Bay County.
Achievement of strategic goals	<p>The project management aims to achieve the goals through development of two sustainable and environmentally friendly smallholder irrigation schemes in Kimira and Oluch:-</p> <ul style="list-style-type: none"> ▪ Kimira Scheme in Rachuonyo North Sub County which covers a gross area of 1,790 Ha, with a net irrigable area of 808 Ha and a total of 44 irrigation blocks. It has 1,616 smallholder farmers' households. ▪ Oluch Scheme in Rangwe and North Rachuonyo Sub County, which covers a gross area of 1,308 Ha, with a net irrigable area of 666 Ha and total of 53 irrigation blocks. It has 1,334 smallholder farmers households. <p>A total number of 3000 households are to benefit directly from the two Irrigation Schemes, and another 400,000 to benefit indirectly.</p>

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<p>Other important background information of the project</p>	<p>Project Components: The project implements its activities under three distinct components:</p> <p>A. <u>Irrigation Scheme Development and Management</u> with the following sub-components:</p> <ol style="list-style-type: none"> 1. Formation of Water Users Associations 2. Irrigation Scheme Development 3. Supervision of Scheme Construction 4. Environmental Mitigation <p>B. <u>Marketing and Extension</u> with the following sub-components:</p> <ol style="list-style-type: none"> 1. Support to farmers 2. Support to Extension Workers 3. Marketing Linkages <p>C. <u>Project Management and Coordination Component</u></p> <p>Project Achievements: Under Irrigation Scheme Development and Management, the Project has constructed the following structures: -</p> <ul style="list-style-type: none"> ▪ 2 Gravity Intake Weirs ▪ 4 motorable Bridges ▪ 54.64 km of Reinforced concrete Water Conveyance System ▪ 85.5km Water Drainage System ▪ 10 Night Storage Reservoirs ▪ 8 Communal canal based water take off points ▪ 2 Irrigation Water Users Association (IWUA) offices buildings. ▪ 28.5km Road Networks (Access and Service Roads) ▪ 2 Sand trap. <p>In Environmental Mitigation the following activities have been achieved : -</p> <ul style="list-style-type: none"> ▪ 95 (24 – ADB Grant and 71- GoK) Resettlement Permanent Houses and 1No. Community Church, constructed.. <p>The Project also supported: -</p> <ul style="list-style-type: none"> • Vulnerable persons (school fees were paid to Universities, Colleges and Secondary Schools for 78 students from the vulnerable families in Oluch and 46 students in Kimira respectively. Livelihood start-up packages were also provided). • 3000 mosquito bed -nets provided. • 83 No. 8,000lts water tanks installed in schools, dispensaries and resettlement houses. • 3000 farmers trained on improved farming methods and project sustainability, among other capacity building activities.
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ol style="list-style-type: none"> (i) Low food security (ii) High poverty rates in the County.
<p>Project duration</p>	<p>The Project started on 13th February, 2007 and is expected to run until 30th June 2022.</p>

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1.4 Bankers

Project Account No.: 01141047028702:
Co-operative Bank of Kenya, Homa Bay Branch
P. O. Box 406-40300,
HOMA BAY

1.5 Auditors

The Project is audited by Office of the Auditor General

The Auditor General
Office of The Auditor General
P. O. Box 30085-00100
NAIROBI

1.6 Legal Advisors

The Project's legal affairs are handled by the Office of Attorney General.

The Attorney General
Sheria Hse, Harambee Avenue
P. O. Box 40112-00100
NAIROBI

1.7 Roles and Responsibilities

The key people involved in the project are:

Names	Title designation	Responsibilities
Dr. Belio R. Kipsang, CBS	Principal Secretary, State Department for Regional & Northern Corridor Development	Accounting Officer
Ms Wanjiku Manyatta	Ag. Director, Regional Development Authorities.	Liaison Officer for Project activities at State Department for Regional & Northern Corridor Development
Juma Robinson Jalang'o	Ag. Project Manager	Project Manager
George Ouma	Ag. M&E Officer and Environmentalist	In charge of Monitoring and Evaluation and Environment Department
Benson O. Ouma	Project Accountant	Head of Accounts
John Rop Serem	Human Resource Manager & Administrator	Managing Human Resource and General Administration

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Amos Amenya	Snr. Agronomist	In charge of Agronomy Department
Florence Atera	Rural Sociologist and Gender Specialist	In charge of Rural Sociology Department
Sarah Khanani	Cartographer	Incharge of Cartography Department
Margaret Orwenjo	Ag. Procurement Officer	In charge of Procurement
Wesley Cheruiyot	Assistant Engineer	In charge of Engineering Activities
Maurice Arego	Transport Officer	In charge of Transport Department
Kenneth Adams	ICT Officer	In charge of the Project's ICT
Victor Bwire	Internal Auditor	Responsible for Internal Audit.

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1.8 Funding summary

The Project is for a duration of (15) years from 2007 to 30th June 2022 with an approved ADF Loan of UA 22,978,992 equivalent to Kshs 2,851,000,000, ADF Grant of UA 1,147,529 equivalent to Kshs 142,408,349 and GoK counterpart of Kshs. 5,187,998,011 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30/6/2020)		Undrawn balance to date (30/6/2020)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)UA</i>	<i>(A')</i>	<i>(B)UA</i>	<i>(B')</i>	<i>(A)-(B) UA</i>	<i>(A')-(B')</i>
(i) Grant						
African Development Fund	1,147,529	142,408,349	1,147,529	142,408,349	0	
(ii) Loan						
African Development Fund	22,978,992	2,851,000,000	22,978,992	2,851,000,000	0	
(iii) Counterpart funds						
Government of Kenya	41,804,980	5,187,998,011	34,128,909	4,297,992,613	7,676,071	890,005,39
Total	65,931,501	8,181,406,360	58,255,430	7,291,399,962	7,676,071	890,005,39

1.9 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date,

Cumulatively since the project commenced its implementation activities, Kshs.7,291,399,962 has been disbursed. During this reporting period, the project received Kshs.62,594,000 for implementation of recurrent activities. The Project's overall utilization of the allocated funds mentioned above translates to 100% absorption rate during the period under review. The funds received did not cover development budget and the project was not able to achieve the required threshold of 30% to 70%, with regards to recurrent expenditure (operating services) and development expenditure respectively. However, we utilised the funds committed and rolled over from the previous financial year towards specific activities that included construction of minor tertiary irrigation infrastructure and fencing of night storage reservoirs that were posing danger to the community. This enabled connection of more farmers to the irrigation infrastructure, thus increasing overall crop production. As such, there was unfavourable variance in the absorption of the funds advanced to the project due to massive budget cuts.

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Physical progress based on outputs, outcomes and impacts since project commencement together with value-for-money achievements:

- A 59 Km main water conveyance system and associated infrastructure developed and currently conveying water to 97 irrigation blocks.
- 122.4 Km of tertiary canals (in-block irrigation infrastructure) has been constructed and supplying water to 75 irrigation blocks. Irrigation agriculture is ongoing in the connected block which has resulted in increased income for the beneficiaries.
- 2 No Irrigation Water Users Associations (IWUAs) formed and sensitized which has enhanced ownership and participation by the project beneficiaries.
- 1,389 farmers have been trained on modern irrigation agriculture and are currently adopting modern farming methods and utilizing the irrigation infrastructure with current crop production standing at 8,000 M/T per year, in the net irrigable areas.

Implementation Challenges and Recommended Way Forward

- The adverse effects of project activities have been mitigated through execution of both social and physical environmental safeguards as prescribed in the Environmental Management Plan (EMP).
- Livelihood of the households affected by the irrigation infrastructure has been restored by resettling them away from the effects of the irrigation infrastructure.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The project is still in its implementation stage and all the initial project objectives are expected to be fully met when the project reaches completion stage. The challenges which may contribute towards slowing down achievements include; low funding levels for the planned activities, slow rate of contractors to complete construction of the in- block irrigation infrastructure, which would increase the net irrigable area, and the slow uptake by farmers for the irrigated agriculture as mentioned above.

Objectives of the Project as per the Program Plan

1. To develop sustainable and environmentally friendly smallholder irrigation schemes in Kimira and Oluch areas of 44 and 53 irrigation blocks on 808ha and 666ha net irrigable area respectively.
2. To empower farmers through acquisition of entrepreneurial skills to manage the schemes.
3. To increase household incomes and food security through irrigated agriculture

The key development objectives of the *project's 2018-2022* plan are to:

To contribute towards the country's development plan of poverty reduction, which is achieved through increased food security thereby contributing to the realisation of the Big 4 Agenda.

Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kimira Oluch Smallholder Farm Improvement project(KOSFIP)	To develop sustainable and environmentally friendly smallholder irrigation schemes in Kimira and Oluch areas	-Increased cropped area (more land under crops)	Hectares of land under agricultural production	In FY 2020/21, 7.3 Km of the in-block irrigation infrastructure was completed, thus increasing irrigable area by 9%.
	To empower farmers through acquisition of entrepreneurial skills to manage the schemes	Improved agriculture processing and market access.	Crop yield (in Metric tonnes) per hectare	There was an increase of 34% production levels.
	To increase household incomes and food security through irrigated agriculture	Increased farm income resulting from increased volumes of produce sold	% of population with adequate income to meet basic necessities of life.	There was an increase of 23% in number of farmers trained and adopting modern irrigation technologies.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

KOSFIP exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/ Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability Strategy and Profile -

The project's efforts to ensure sustainability are hinged on three pillars, namely; economy, society and the environment. Best practices and policies have been put in place to align the

project activities to these pillars. The project has identified ways and means of ensuring proper management and sustainability of the irrigation schemes after completion so that the infrastructure is optimally utilized. These include training of farmers to foster acceptability, ownership and capacity to operate and manage the irrigation scheme upon completion; Formation of Cooperatives, Extension & Marketing and Micro financing to address issues of production in the irrigation schemes; Identification of an institution to provide technical backstopping to farmers and mainstream the project interventions, and deliberate linkage and collaboration with other relevant agricultural sectors. The environmental management of the schemes will also be guided by the applications of Environmental Management & Coordination Act (EMCA 1999) and other environmental policies and regulations in the country. Since women and youth are the dominant actors in production, the project is has deliberate efforts to promote their involvement and participation in the scheme leadership as a way of fostering sustainability.

2. Environmental Performance

The project design was made to provide for environmental mitigation. This was necessary given that the project was classified under ADB's Environmental and Social Assessment Procedures (ESAP) as Category I. Environmental Impact Assessment (EIA) was conducted in line with the Environmental Management & Coordination Act (EMCA 1999).

The environmental and social sustainability of the schemes has been addressed by including the negative environmental impacts in the Code of Good Practices for Construction and developing an Environmental & Social Management Plan (ESMP) that would be used to monitor the environmental issues occurring in all the phases of the Project.

Implementation of the works has also taken care of environmental and social concerns by providing appropriate and adequate crossings over the works, upgrading and equipping health facilities, provision of clean drinking water (from roof catchments and communal water points). The project has also trained farmers on various aspects of environmental conservation,

However, some of the conservation activities that were geared towards environmental and social sustainability remain fragile given the low level of adoption of technologies by the farmers. The main canals have been lined to reduce the risk of siltation and the growth of weeds. However, the weak soil structure in the project area which is susceptible to erosion poses a threat to the earthen drainage canals through scouring. In addition, the project design excluded environmentally sensitive areas (problem areas) from the irrigation layout, especially, areas with serious risk of salinity and fragile ecosystem. Conservation of the upper catchment areas of the two rivers, which are the sources of the irrigation water for the two schemes, is being done to reduce land degradation and ensure the protection and sustainable use of the upstream water catchments. The conservation measures have since reduced the level of solid deposits in the Kibuon and Tende river waters

3. Employee Welfare

The Project has a mixed workforce consisting of staff seconded from other government

institutions, staff contracted by the parent ministry and staff on temporary employment. The hiring process has been competitive and above board with advertisement of positions put in the local dailies (where applicable). The project has gender considerations with 30% of the staff being females. The project has deliberate efforts to improve the skills and knowledge of the work force by implementing a training program, where staff is supported to undertake short courses relevant to their areas of competence. This is done in strict adherence to the set rules guiding the process. After training, there is continuous sharing of the training experiences, where the trained staff discusses with the rest of the project staff. Performance appraisal of staff is also routinely done with the support of the parent ministry. This has ensured that the employees are oriented towards achieving the results as stated in the project objectives.

Policy on safety and Compliance with Occupational Safety and Health Act of 2007, (OSHA)

The Project ensures that as far as possible, every employee has adequate safe and healthy working conditions. This is done by conducting routine risk assessment, providing safety protective materials (gears) while performing activities which have recognized hazards, proper maintenance of machineries and equipment (eg vehicles), availing fire extinguishers at the exit points, as well as having regularly supervised safety drills. The project also has a provision for assembly point in case of fire break outs. All these are done in compliance with Occupational Safety and Health Act of 2007, (OSHA.2007).

4. Market Place Practices-

a) Efforts to Responsible Competition Practice.

The Project observes fair and responsible competition practices by ensuring that all its undertakings are done above board and competitively. All the requirements are made known to potential persons (stakeholders) who intend to be involved in the processes as a way of curtailing possible corruption cases. Responsible political involvement is ensured by tapping in on the participation of the local political leadership. This has enabled the project to acquire political support which is very key in mobilisation of the community to accept the project and effectively utilise the infrastructure.

b) Responsible Supply Chain and Supplier Relations-

The Project has been operating a satisfactory procurement system, where the list of pre-qualified (local) bidders is obtained and used. The open and fair tendering system has seen the project honouring the contracts by promptly settling payments for and works completed or services delivered. (This can be confirmed by the fact that there are no pending payments for services rendered in this financial year). Further, the project committed to comply with the presidential directives on considerations to local contents (in procurement). The project has also assimilated the value contents of the Access to Government Procurement Opportunities provisions (AGPO) and is adhering very well to its requirements.

c) Responsible Marketing and Advertisement Towards Maintaining Ethical Marketing Practices

Online advertisement for tenders has not been duly effected. However, going forward, the project will make efforts to have its tenders and any other advertisement uploaded on the website of the Parent Ministry.

d) Product Stewardship

The project is making considered efforts to safeguard its stakeholders rights and interests by providing right and adequate information (through reports and announcements), holding stakeholder meetings to create forums for contributions (eg sensitisation forums) as well as avenues for redress (resolution of public complaints) in case there are complains or issues raised with regard to the activities undertaken by the project. In cases of procurements of works and services, the potential participants are accorded right information through advertisements, which spell out clear requirements for one to participate in such activities.

5. Community Engagements-

The Project is classified as 'without- community-cash-project'. In which case, the community was to provide in-kind contribution by giving way leave for construction of the irrigation system. Thus sections of the land have been forfeited for construction of irrigation infrastructure. Further, the community has been providing labour during routine cleaning and maintenance of the irrigation system. Other forms of engagement include representation and participation in the Project Steering Community (PSC) meetings and participation in the project implementation through the Irrigation water users associations (IWUA) activities. Several community based self- help groups, especially among women, aimed at social functions or small scale savings for production or marketing have also come up and are participating alongside the umbrella farmers body (IWUA).

The Project implemented environmental social safeguard measures activities which are also part of corporate social responsibility (CSR). In particular, it completed construction of a health facility (in Oluch scheme) thereby improving access to health services in the area. In addition, the community has been benefiting from the irrigation system by drawing water for domestic use as opposed to earlier period when women had to walk for long distances to fetch water.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.


The Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary State Department for Regional & Northern Corridor Development and the Project Manager for Kimira Oluch Smallholder Farm Improvement Project on 29.9.2021 2021 and signed by them.


Principal Secretary
Dr. Belio R. Kipsang, CBS


Ag. Project Manager
Juma Robinson Jalang'o


Project Accountant:
Benson Oketch Ouma

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT (ADF LOAN NO.2100150012296) FOR THE YEAR ENDED 30 JUNE 2021 - STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kimira Oluch Smallholder Farm Improvement Project set out on pages 15 to 33, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 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, the financial statements present fairly, in all material respects, the financial position of Kimira Oluch Smallholder Farm Improvement Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and Public Finance Management Act, 2012 and comply with the terms of the Loan Agreement No. 2100150012296 dated 27 August 2009 between African Development Fund (ADF) and the Government of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kimira Oluch Smallholder Farm Improvement Project 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 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

Pending Bills

Disclosed in Annex 2A to the financial statements are pending bills totalling to Kshs.700,656,527 as at 30 June, 2021 and which had been brought forward from 2019 / 2020 financial year. No satisfactory explanation was given by the Management for failure to settle the bills during the year in which they were incurred.

Report of the Auditor-General on Kimira Oluch Smallholder Farm Improvement Project (ADF Loan No.2100150012296) for the year ended 30 June, 2021 - State Department for Regional and Northern Corridor Development

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

1. Irregular Payment of Meal Allowances

Disclosed in Note 9.5 to the financial statements under compensation of employees are payments totalling Kshs.25,028,750, being personal allowances paid as part of salary. Included in these payments is an amount of Kshs.937,500 paid to various members of staff as meal allowances while working during lunch hours and late in the night as indicated in the memo dated 17 September, 2020. However, no documentary evidence was provided for audit review in support of the rates used in payment of the meal allowances.

As a result, the validity and regularity of the meals allowances totalling Kshs.937,500 could not be confirmed.

2. Project Vehicles Not Handed Over by the Consultant

The consultant who was supervising the project procured two motor vehicles with registration numbers KBS 681Z and KBS 682Z at a total cost of Kshs.7,200,000. However, the vehicles were not handed over to the project after the completion of consultancy services. This is contrary to Paragraph 10.0 (IV) of the Service Contract No. KOSFIP/C/2 2020-2011 on consultant fees and payments, which states that after completion of the project, the consultant shall hand over equipment and vehicles to the project.

3. Outstanding Imprests

Imprests amounting to Kshs.781,450 had not been surrendered at the closure of the year under review contrary to Regulation 93 (5) of the Public Finance Management (National Government) Regulations, 2015 that requires a holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to duty station.

4. Ethnic Composition of Staff

During the year under review, the project had thirty-four (34) employees out of whom twenty-four representing 75% of the workforce were from the dominant ethnic community

in the region. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires all public entities to represent the diversity of the people of Kenya in employment of staff and not to have more than one third of staff from one ethnic community.

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, 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 Audit Committee

The Project had also not established an Audit Committee to assist the Management with responsibilities for issues of risk, internal controls, governance and associated assurance, and follow-up on the implementation of the recommendations of internal and external auditors.

2. Lack of Staff Establishment

During the year under review, the Project did not have an approved staff establishment and human resource plan to support achievement of goals and objectives in the strategic plan.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Fund, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and

Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I report based on the audit that:

- i. The Project funds have been used in accordance with the conditions of Loan Agreement with due attention to economy, efficiency and effectiveness for the purposes for which they were provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Loan Agreement;
- iii. Goods and services financed have been procured in accordance with the Loan Agreement and the Fund's rules and procedures;
- iv. Necessary supporting documents, records and accounts have been kept in respect of all Project activities;
- v. Adequate internal control to monitor expenditure and other financial transactions and ensure safe custody of assets exist; and
- vi. Ledgers and fixed assets register for the Project's assets are maintained as required.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for 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 ability of Kimira Oluch Smallholder Farm Improvement Project to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Project or 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 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 financial reporting process, reviewing the effectiveness of how the Project monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report of the Auditor-General on Kimira Oluch Smallholder Farm Improvement Project (ADF Loan No.2100150012296) for the year ended 30 June, 2021 - State Department for Regional and Northern Corridor Development

- 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 ability of the Project to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2021

Report of the Auditor-General on Kimira Oluch Smallholder Farm Improvement Project (ADF Loan No.2100150012296) for the year ended 30 June, 2021 - State Department for Regional and Northern Corridor Development

*Kimira Oluch Smallholder Farm Improvement Project
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6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021		2019/2020		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	
RECEIPTS						
Transfer from Government entities	9.3	62,594,000		398,408,500	-	4,297,991,613
Miscellaneous receipts	9.4	0		430,000	0	2,071,020
TOTAL RECEIPTS		62,594,000		398,838,500	0	4,300,062,633
PAYMENTS						
Compensation of employees	9.5	49,984,658		41,094,847		944,787,612
Purchase of goods and services	9.6	95,389,016		55,899,253		869,411,042
Acquisition of non-financial assets	9.7	25,214,925		369,095,016		2,483,577,711
TOTAL PAYMENTS		170,588,599		466,089,116		4,297,776,365
SURPLUS/(DEFICIT)		(107,994,599)		(67,250,616)	-	2,286,268

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



Principal Secretary
Dr. Belio R. Kipsang, CBS



Ag. Project Manager
Juma Robinson Jalang'o

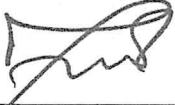


Project Accountant
Mr. Benson O. Ouma:


7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9. 8A	2,511,982	110,270,236
Cash Balances	9.9B	5,497	241,842
Total Cash and Cash Equivalents		2,517,479	110,512,078
TOTAL FINANCIAL ASSETS		2,517,479	110,512,078
REPRESENTED BY			
Fund balance b/fwd	9.9	110,512,078	177,762,693
Prior year adjustments	9.10	0	1
Surplus/(Deficit) for the year		(107,994,599)	(67,250,616)
NET FINANCIAL POSITION		2,517,479	110,512,078

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29.9.2021 and signed by:


Principal Secretary
Dr. Belio R. Kipsang, CBS


Ag. Project Manager
Juma Robinson Jalang'o



Project Accountant
Mr. Benson O. Ouma:


*Kimira Oluch Smallholder Farm Improvement Project
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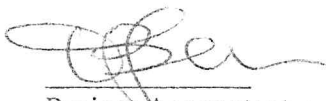
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

		2020-2021	2019-2020
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities	9.3	62,594,000	398,408,500
Miscellaneous receipts	9.4	0	430,000
Payments from operating activities			
Compensation of employees	9.5	49,984,658	41,094,847
Purchase of goods and services	9.6	95,389,016	55,899,253
Net cash flow from operating activities		(82,779,674)	301,844,400
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9.7	25,214,925	369,095,016
Net cash flows from Investing Activities		25,214,925	369,095,016
NET INCREASE IN CASH AND CASH EQUIVALENT			
Cash and cash equivalent at BEGINNING of the year	9.9	110,512,078	177,762,693
Cash and cash equivalent at END of the year		2,517,479	110,512,078

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29.9. 2021 and signed by:


Principal Secretary
Dr. Belio R. Kipsang, CBS


Ag. Project Manager
Juma Robinson Jalang'o



Project Accountant
Mr. Benson O. Ouma:


*Kimira Oluch Smallholder Farm Improvement Project
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**9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30TH JUNE 2021**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	87,588,000	(24,994,000)	62,594,000	62,594,000	0	100%
Miscellaneous receipts			0	0	0	0%
Balance b/f	110,512,078	0	110,512,078	110,512,078	0	100%
Total Receipts	198,100,078	24,994,000	173,106,078	173,106,078	0	100%
Payments						
Compensation of employees	50,000,000	0	50,000,000	49,984,658	15,342	99.7%
Purchase of goods and services	98,000,000	(2,000,000)	96,000,000	95,389,016	610,984	99.4%
Acquisition of non-financial assets	50,100,078	(22,994,000)	27,106,078	25,214,925	1,891,153	93%
Total Payments	198,100,078	(24,994,000)	173,106,078	170,588,599	2,517,479	98.6%

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


Principal Secretary
Dr/ Belio R. Kipsang, CBS


Ag. Project Manager
Juma Robinson Jalang'o


Project Accountant
Mr. Benson O. Ouma:

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.10 Basis of Preparation

10.11 Statement of Compliance and Basis of Preparation

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

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

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

10.11.1 Reporting Entity

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

10.11.2 Reporting Currency

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

10.12 Significant Accounting Policies

a) Recognition of Receipts

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

• Transfers from the Exchequer

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

• External Assistance

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

Donations and Grants

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

Proceeds from Borrowing

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

Undrawn External Assistance

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

• **Other Receipts**

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

b) **Recognition of Payments**

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

• **Compensation of Employees**

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

• **Use of Goods and Services**

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

• **Interest on borrowing**

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

- **Repayment of Borrowing (Principal Amount)**

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

- **Acquisition of Fixed Assets**

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

e) Accounts receivable

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

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

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

h) Pending Bills

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

i) Budget

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

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

j) Third Party Payments

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

During the year no disbursements were received in form of direct payments from third parties.

k) Exchange Rate Differences

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

l) Comparative Figures

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

m) Subsequent Events

The subsequent events with significant impact on the financial statements for the year ended June 30, 2020 consisted of expenditure of Bank and cash balances committed and brought forward from FY 2019/20:

Bank and cash balances committed and brought forward from FY 2019/20.

Kimira Oluch Smallholder Farm Improvement Project (KOSFIP) is categorized as a Donor Funded Government Project, ADF Loan No. 2100150018896, with GoK counterpart Funding, which is a going concern with construction works in progress that continue past financial year ends. At end of last financial year, the project had works in progress comprising of construction of infield tertiary canals for distribution of irrigation water to farmers' blocks from the main canals, fencing of Overnight Water Storage Reservoirs which were posing danger to the community and construction of Resettlement Houses to farmers affected by irrigation infrastructure. Fund balance at end of the year 2019/20 amounting to Kshs 110,512,078 that had been committed for the activities in progress were rolled over to the new financial year for continuity and to avoid interest charges by the contractors for delayed payment. The committed and rolled over funds had arrived late towards the end of the financial year and second week of July 2020 respectively. This made it impossible to absorb the funds completely except through committing them in the vote book and rolling over to do the same activities re-budgeted in the financial year under review. The committed funds were spent as tabulated below:

Expenditure on Bank balances committed and brought forward from FY 2019/20

Details	Amount (Kshs)
Funds Committed and brought forward from 2019/20 for ongoing Project Activities	110,512,078
2019/20 Commitments paid: Purchase of Goods and Services	(85,297,153)
2019/20 Commitments paid: Acquisition of Non-Financial Assets	(25,214,925)
Balance carried forward	0

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n) Errors

There were no errors in the year under review.

9.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative
	KShs	KShs	to-date(from inception)
Counterpart funding the State Department For Regional & Northern Corridor Development			
Counterpart funds Quarter 1	43,794,000	0	900,143,278
Counterpart funds Quarter 2	0	114,512,400	1,083,759,685
Counterpart funds Quarter 3	0	215,784,600	1,011,208,290
Counterpart funds Quarter 4	18,800,000	68,111,500	1,302,880,360
	62,594,000	398,408,500	4,297,991,613

9.4 MISCELLANEOUS RECEIPTS

	2020/21			2019/20	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Other receipts not classified elsewhere	0	0	0	430,000	2,071,020
	<u>0</u>	<u>0</u>	<u>0</u>	<u>430,000</u>	<u>2,071,020</u>

Other receipts in the previous year were from sale of tender documents

9.5 COMPENSATION OF EMPLOYEES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Basic wages of temporary employees	24,532,368	0	24,532,368	16,042,816	396,541,093
Personal allowances paid as part of salary	25,028,750	0	25,028,750	24,637,311	541,346,931
Compulsory national social security schemes	423,540	0	423,540	414,720	6,899,588
Total	49,984,658	0	49,984,658	41,094,847	944,787,612

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9.6 PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	222,000	0	222,000	159,788	2,428,989
Communication, supplies and services	1,095,823	0	1,095,823	2,442,872	33,578,243
Domestic travel and subsistence	25,658,000	0	25,658,000	25,563,305	320,145,916
Printing, advertising and – information supplies & services	271,300	0	271,300	673,100	1,466,476
Training payments	189,450	0	189,450	4,561,880	102,291,484
Hospitality supplies and services	8,300,930	0	8,300,930	5,425,785	185,368,903
Insurance costs	0	0	0	37,577	403,358
Specialised materials and services	210,572	0	210,572	78,605	289,177
Office & General Supplies	1,649,157	0	1,636,147	0	1,649,157
Fuel & Lubricants	3,569,366	0	3,569,366	0	3,569,366
Other operating payments	48,809,553	0	48,809,553	9,974,494	108,668,939
Routine maintenance – vehicles and other transport equipment	4,880,382	0	4,880,382	6,957,147	108,275,535
Routine maintenance- – other assets	532,483	0	532,483	24,700	1,278,499
Total	95,389,016	0	95,389,016	55,899,253	869,010,684

9.7 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Construction of other Infrastructure	25,164,935	0	25,164,935	369,095,016	2,486,527,721
Purchase of Household & Institutional Appliances	49,990		49,990	0	49,990
Total	25,214,925	0	25,214,925	369,095,016	2,483,577,711

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9.8 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 9.8A)	2,511,982	110,270,236
Cash in hand (Note 9. 8B)	5,497	241,842
Total	2,517,479	110,512,078

9.8A Bank Accounts

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya [A/c No. 01141047028702, Homa Bay Branch]	2,511,982	110,270,236
Total local currency balances	2,511,982	110,270,236
Total bank account balances	2,511,982	110,270,236

9.8B Cash In Hand

	2020/21	2019/20
	KShs	KShs
Cash office at the Project HQ Homa Bay	5,497	241,842
Total cash balances	5,497	241,842

9.9 FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	110,270,236	177,572,838
Cash in hand	241,842	189,856
Total	110,512,078	177,762,694

9.10 PRIOR YEAR ADJUSTMENT

There was no prior year adjustment

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

10. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Person to resolve the issue	Status:	Timeframe:
1	Unsupported Pending Bills	Two vouchers amounting to Kshs 198,472,177 were lost in the process of relocating from MoRDA offices, NSSF building to the new office in the Ministry of Water, Environment and Natural Resources	Mr. Benson Ouma, Project Accountant, KOSFIP	Not Resolved	End of second quarter
2	Budgetary Control and Performance	The project was underfunded during the year. Over expenditure and budget overrun was due to committed and rolled over funds for activities that were in progress at end of the financial year.	Mr. Benson Ouma, Project Accountant, KOSFIP	Not Resolved	End of this Financial Year

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Person to resolve the issue	Status:	Timeframe:
3	Irregular payment of personal allowances	The allowances were approved by the project Steering Committee on 23 rd Feb, 2012	Mr. John Serem, HRM Officer, KOSFIP	Not Resolved	End of second quarter
4	Procurement of Computers and stationery	The procurement department has since availed the evidence to OAG office in Homa Bay	Ms Margaret Orwenjo, Procurement officer, KOSFIP	Resolved	Done
5	Repair of Motor Vehicle	The Pre repair report by Ministry of Infrastructure underestimated the cost of repair by ignoring tax that was added to repair cost by the dealer.	Ms Margaret Orwenjo, Procurement officer, KOSFIP	Resolved	Done
6	Travel Cost & Accommodation Expenses	Attendance list for the Sector Working Group in Mombasa and invitation letter fell off the voucher and were mixed up with other papers	Mr. Benson Ouma, Project Accountant, KOSFIP	Resolved	Done
7	Construction of resettlement Houses & fencing of night storage reservoirs	The management applied restricted tendering using prequalified list of Contractors at the office of County Commissioner	Ms Margaret Orwenjo, Procurement officer, KOSFIP	Resolved	End of quarter two

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*



Principal Secretary
Dr. Belio R. Kipsang, CBS

Date 29/9/2021



Project Manager
Juma Robinson Jalang'o

Date 29.9.21

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	62,594,000	62,594,000	0	100%	
Miscellaneous receipts	0	0	0	0%	
Balance brought forward	110,512,078	110,512,078	0	100%	
Total Receipts	173,106,078	173,106,078	0	100%	
Payments					
Compensation of employees	50,000,000	49,984,658	15,342	99.97%	
Purchase of goods and services	96,000,000	95,389,016	610,984	99.36%	
Acquisition of non-financial assets	27,106,078	25,214,925	1,891,153	93%	
Total payments	173,106,078	170,588,599	2,517,479	98.6%	

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021	Outstanding Balance 2020	Comments
	a	b	c	d=a-c		
Construction of civil works						
1. Sinohydro Corporation and Machiri Joint Venture Ltd (Major Civil Works)	4,277,237,943	9 th September 2009	3,583,505,606	693,732,337	693,732,337	Inadequate funding due to Budget cuts
2. Otieno Odongo Consulting Engineers & Partners	76,122,500	6 th December 2011	69,198,310	6,924,190	6,924,190	Inadequate funding due to Budget cuts
Grand Total	4,513,097,767		3,812,441,240	700,656,527	700,656,527	

*Xxxx Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2020/21	*Purchases/Add itions in the Year (KShs) 2020/21	** Disposals in the Year (KShs) 2020/21	Transfers in/(out) Kshs 2020/21	Closing Cost (KShs) 2020/21
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Transport equipment	21,895,952	0	0	0	21,895,952
Office equipment, furniture and fittings	7,283,066	0	0	0	7,283,066
ICT Equipment,	18,694,963	0	0	0	20,683,503
Other Machinery and Equipment	6,762,923	49,990	0	0	6,812,913
Total	54,636,904	49,990			56,675,434

*Kimira Oluch Smallholder Farm Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

APPENDICES

- i. Bank Reconciliations
- ii. Board of Survey Fo 51
- iii. Extracts of Cash Book Balances
- iv. Certificate of Bank Balance

KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT

A/C NO.01141047028702 (GOK - A/C)

BANK RECONCILIATION STATEMENT AS AT 30TH JUNE, 2021

	Kshs.	Kshs.
Balance as per Bank Statement		133,601.54
<i>Less:</i> Payments In Cash Book not yet recorded in Bank Statement (Unpresented Cheques)	16,421,619.10	
-Receipts In Bank Statement not yet recorded in Cash Book	-	
Sub -Total		
<i>Add:</i> Payments in Bank Statement not yet recorded in Cash Book	-	
-Receipts in Cash Book not yet recorded in Bank Statement	18,800,000.00	
Sub -Total		
Balance as per Cash Book		2,511,982.44

I certify that I have verified the Bank Balance in the Cash Book with the Bank Statement and that the above reconciliation is correct.

Prepared By: Martin D. Tindi Sign: [Signature] DATE: 8-07-2021

Reviewed By: Benson O. Anna Sign: [Signature] DATE: 8/7/21

I

Payments in Cash Book Not Yet Recorded in Bank Statement			
Date	Payee	Cheque/Ref. No.	Amount Ksh
30.06.2021	Cooperative Bank of Kenya	C727120721151	3,196,786.75
30.06.2021	Cooperative Bank of Kenya	C785120721152248	3,315,862.30
30.06.2021	Cooperative Bank of Kenya	C727120721152946	311,900.00
30.06.2021	Cooperative Bank of Kenya	C714120721153539	327,500.00
30.06.2021	Cooperative Bank of Kenya	C726130721225410	4,124,961.10
30.06.2021	John Oranga	C714130721230056	30,000.00
30.06.2021	Cooperative Bank of Kenya	C742140721020640	3,603,493.30
30.06.2021	Paymaster General	004117	104,246.00
30.06.2021	Paymaster General	004118	104,246.00
30.06.2021	NSSF	004119	72,360.00
30.06.2021	NSSF	004120	73,440.00
30.06.2021	NHIF	004121	28,300.00
30.06.2021	NHIF	004122	28,950.00
30.06.2021	Multi choice (K) Ltd	004123	41,234.00
30.06.2021	H/Bay county water&sanitation co.	004124	4,955.00
30.06.2021	Zam Zam Petrol Station	004125	500,000.00
30.06.2021	Cooperative Bank of Kenya	004126	333,000.00
30.06.2021	Rentokil Initial (K) Ltd	004127	17,934.65
30.06.2021	Hotel Twin Towers	004128	196,000.00
30.06.2021	H/Bay Tourist Hotel	004129	6,450.00
	Total		16,421,619.10

II

Receipts In Cash Book Not yet Recorded In Bank Statement			
Date	Source	Receipt No.	Amount Ksh
30.06.2021	State dept.Regional & Northern corridor	0600000098	18,800,000.00
	Total		18,800,000.00

2021

PAYMENTS

Date	To Whom Paid	Description of Payment	Allocation	Voucher No.	Cheque No.	Sh.	cts.	Sh.	cts.	Sh.	cts.
00	Kenneth Adams		Various	GK162/6/21							
00	John Sevan		2210502	GK163/6/21						161	00
00	Kenneth Adams		2210302	GK164/6/21						46	02
00	Joseph Arino		2210302	GK165/6/21						57	00
50	Juma R. Kabayo		2210302	GK166/6/21						26	02
00	Miriam Kirui		2210302	GK167/6/21						74	00
00	Martin D. Tindi		2210101	GK168/6/21						63	00
00	Kenneth Adams		2210302	GK169/6/21						30	00
00	John Sevan		2210302	GK170/6/21						62	50
00	Job Kambay		2210301	GK171/6/21						13	59
00	John Sevan		2210801	GK172/6/21						48	00
50	Benson Guma		2210302	GK173/6/21						10	75
00	Naomi Chelangat		2210902	GK174/6/21						32	90
00	John Sevan		2210302	GK175/6/21						64	00
00	Rose Apudo		2210303	GK176/6/21						28	00
00	Job Kambay		2210302	GK177/6/21						12	10
00	Rose Apudo		2210302	GK178/6/21						25	30
00	Maurice Arago		Various	GK179/6/21						10	00
50	Rose Apudo		2210303	GK180/6/21						16	12
00	Juma R. Kabayo		2210302	GK181/6/21						10	00
00	Job Kambay		2210302	GK182/6/21						11	75
00	Project Manager		2210302	GK183/6/21						48	00
00	Project Manager		2210301	GK184/6/21						25	60
00	Eric Amali		2210102	GK185/6/21						15	00
00	Job Kambay		2210801	GK186/6/21						12	00
00	Rose Apudo	DSA	2210303	GK187/6/21						28	00
		Total Payments								170	00
		Pa. c/d								3023	76
		Total								5497	=
										2511	98
										5497	=
										5535	77

49,44

5497 = 2511982
5497 = 5535777

RECEIPTS

JUNE

Date	From whom Received	Description of Receipt	Allocation	Voucher No.	Receipt No.	Sh. cts.		Sh. cts.		Sh. cts.	
5/1/17	Bal. b/d								4977	00	2796357
2/1/17	Kenneth Adams	reversal of 1/17 No. 4141005									12831008
11	John Seaman	reversal of 1/17 No. 3995827							520	00	462400
11	Kenneth Adams	reversal of 1/17 No. 4141000									5700
11	Joseph Arino	reversal of 1/17 No. 4141022									262500
11	John R. Keating	reversal of 1/17 No. 4141075									240000
11	Mich Kinul	reversal of 1/17 No. 3995826									630000
11	Marion Tuck	reversal of 1/17 No. 4141195									300000
11	Kenneth Adams	reversal of 1/17 No. 4141170									825000
11	John Seaman	reversal of 1/17 No. 3995909									135500
11	Job Kenning	reversal of 1/17 No. 3995812									420000
11	John Seaman	reversal of 1/17 No. 4141135									101500
11	Benton Oms	Reversal of 1/17 No. 3995911									2240000
11	Norma Chalgrin	reversal of 1/17 No. 3995836									641000
11	John Seaman	reversal of 1/17 No. 2406394									830000
11	Rosa Appalo	reversal of 1/17 No. 4141073									1210000
11	Job Kenning	reversal of 1/17 No. 4141023									250000
11	Rosa Appalo	reversal of 1/17 No. 4141002									1000000
11	Maunke Arey	reversal of 1/17 No. 2406343									760450
11	Maunke Arey	reversal of 1/17 No. 4141047									1000000
11	John R. Keating	reversal of 1/17 No. 3995850									1345000
11	Jacob Rading	reversal of 1/17 No. 2406395									420000
11	Job Kenning	reversal of 1/17 No. 4141081									236000
11	Rosa Appalo	reversal of 1/17 No. 4141078									1101000
28/6/17											
		Total							5497	00	5535717

Personal Current Account Statement



Statement Date 04-Aug-21
 Statement Period 01-Jun-21 to 30-Jun-21
 Page Page 1 of 1

KIMIRA OLUCH S.H.I.FARM PROJ
 P. O. BOX 293 HOMA BAY

Branch HOMABAY BRANCH
 Branch Code 00011022
 Contact Details
 Tel

KEN
 KEN
 40300

*Certified True Copy of the Original
 THE CO-OPERATIVE BANK OF KENYA LTD.
 HOMABAY BRANCH*

Account No	01141047028702
Account Description	G.O.K ACCOUNTT
Currency	KES

TRANS DATE	DETAILS	CHANNEL ID	VALUE DATE	DEBIT	CREDIT	BOOK BALANCE
Jun-21	Brought forward Balance					1,004,351.54 CR
04-Jun-21	C746030621222013 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	04-Jun-21	111,500.00		892,851.54 CR
05-Jun-21	C797040621223541 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	05-Jun-21	15,000.00		877,851.54 CR
08-Jun-21	C753070621224236 HR Officers Per Diem CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	08-Jun-21	256,200.00		621,651.54 CR
08-Jun-21	C759070621223626 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	08-Jun-21	406,800.00		214,851.54 CR
09-Jun-21	C711090621152346 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	09-Jun-21	60,000.00		154,851.54 CR
11-Jun-21	C711100621161603 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	11-Jun-21	10,500.00		144,351.54 CR
15-Jun-21	C766150621113639 CONSOLIDATED DEBIT ENTRY (SDMC	OMNICIB	15-Jun-21	10,750.00		133,601.54 CR
	TOTAL VALUE			870,750.00		
CLEAR BALANCE AS ON 04-Aug-21						1,206,632.44 CR
BOOK BALANCE AS ON 04-Aug-21						1,206,632.44 CR
						"End of Statement"

OVERDRAFT FACILITY DETAILS :

Overdraft Limit KES 0.00
 Overdraft Review Date 01-Jan-20

Kindly examine this statement immediately. Any discrepancies must be reported to the Bank as soon as possible. Please note that the balance reflected could change if there are transactions that still need to be processed.



CO-OPERATIVE BANK

We are you

CERTIFICATE OF BALANCE

Branch Hombey Date 08/09/24

We hereby certify that the balance Standing to the Credit / Debit of

(Title of A/C) KIMIRA OLUCHA

A/C No.

0	1	1	4	1	0	4	7	0	2	8	7	0	2
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In the books of this Branch as at 30/06/2024

Amount to Kshs. 133,601/54

Amount in words: One Hundred Thirty Three Thousand Six Hundred

One Lents Fifty Four

Per Pres. THE CO-OPERATIVE BANK OF KENYA
HOMBEBY BRANCH
Branch Manager

Authorized Signatory

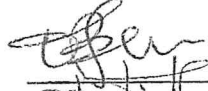
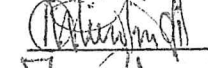

**KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT
CASH SURVEY FORM**

GoK Cash Book A/C No. 01141047028702 as at 30th June, 2021

PARTICULARS	KSHS.
Cash Book Balance:	5,497.00
Represented By: -	
1. Cash in Hand	5,497.00
Total	5,497.00

CASH DENOMINATIONS

<u>Denomination</u>	<u>Times</u>	<u>Amount (Kshs)</u>
Notes		
1,000.00	5	5,000.00
200.00	2	400.00
50.00	1	50.00
Coins		
20.00	2	40.00
5.00	1	5.00
1.00	2	2.00
Total		5,497.00

<u>Name of Officer</u>	<u>Designation</u>	<u>Signature</u>
1. Benson O. Ouma	Project Accountant	
2. Martin Tindi	Accounts Assistant	
3. Joshua Onyuna	Registry -In-Charge	

**KIMIRA OLUCH SMALLHOLDER FARM IMPROVEMENT PROJECT
TRIAL BALANCE AS AT 30TH JUNE 2021**

PARTICULARS	AMOUNT (KSHS)	AMOUNT (KSHS)
<u>RECEIPTS</u>		
Opening Bank Balance		110,512,078
Exchequer Release		62,594,000
Other Receipts		0
<u>EXPENSES</u>		
Compensation of employees	49,984,658	
Purchase of goods and services	95,389,016	
Acquisition of non-financial assets	25,214,925	
Bank Balance	2,511,982	
Cash Balance	5,497	
Imprest Advances	0	
Fund Balance		
TOTAL	<u>173,106,078</u>	<u>173,106,078</u>

