

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

DATE: 15 MAR 2023

DAY.

Wednesday

TABLED
BY:

Leader of the
Majority Party

CLERK-AT
THE TABLE:

Getrude Chebet

OF

THE AUDITOR-GENERAL

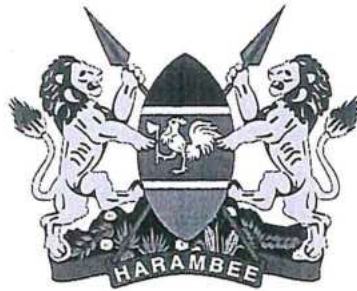
ON

**KENYA LIVESTOCK
COMMERCIALIZATION PROJECT LOAN
NUMBER 2000003565 AND 2000003566**

**FOR THE YEAR ENDED
30 JUNE, 2022**

STATE DEPARTMENT FOR LIVESTOCK

Revised Template 30/6/2022



**PROJECT NAME: KENYA LIVESTOCK COMMERCIALIZATION PROJECT
(KeLCoP)**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE, LIVESTOCK,
FISHERIES AND COOPERATIVES**

STATE DEPARTMENT FOR LIVESTOCK

**IFAD PROJECT NO: 2000002339
IFAD LOAN NO: 200000356500
IFAD LOAN NO: 200000356600**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

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Kenya Livestock Commercialization Project (KeLCoP)
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1. Project Information and Overall Performance

1.1 Name: Kenya Livestock Commercialization Project (KeLCoP)

Objective: The Project goal is to Contribute to the Government's agriculture transformation Agenda of increasing rural small-scale farmers' incomes, food and nutrition security.

Address: The Project headquarters offices are Nakuru Town, Nakuru County, and at the State Department for Livestock Offices at Kilimo House, along Cathedral Road Nairobi, Kenya.

The address of its registered office is:

The Project Management Coordination Unit offices are located in the Sub-County Livestock Production office, Nakuru Town West. Off Nakuru Ravine Rd, Opp. KEMSA Regional Office and at the State Department for Livestock Offices at Kilimo House, along Cathedral Road, Nairobi.

The Project also has offices/branches in the following Counties:

- Baringo,
- Bungoma,
- Busia,
- Elgeyo Marakwet,
- Kakamega,
- Marsabit
- Nakuru,
- Samburu
- Siaya,
- Trans Nzoia,.

Contacts: The following are the Project contacts

P. O. Box 12261-20100

Nakuru

Telephone: (254) 51-2210851

E-mail: pmcu@kelcop.or.ke

Website: www.kelcop.or.ke

or

P. O. Box 34188-00100

Nairobi

E-mail: pmcu@kelcop.or.ke

Website: www.kelcop.or.ke

Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The Project start date is 05th March 2021
Project End Date:	Project Completion date being 31st March 2027 Project Closing date 30th September 2027
Project Coordinator:	The Project Coordinator is Dr. Moses Kembe, PhD
Project Sponsor:	The Project sponsor is International Fund for Agricultural Development (IFAD)

1.3 Project Overview

Line Ministry/State Department of the Project	The Project is under the supervision of the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (State Department for Livestock).
Project number	Project No .2000002339; Report No. 5382-KE Project Loan No.200000356500 Project Loan No.200000356600
Strategic goals of the project	Contribute to the Government's agriculture transformation Agenda of increasing rural small-scale farmers' incomes, food and nutrition security.
Achievement of strategic goals	Increase incomes of 110,000 poor livestock and pastoralist households, especially youth and women, in an environmentally friendly manner, in selected project areas of the 10 participating counties. This will be achieved through: <ul style="list-style-type: none"> • Empowered smallholder farmers and pastoralists • Increased resilience and ability to cope with climate risks and enhanced productivity • Increased use of ICT by scaling up e-extension models, e-finance approaches and market information • Increased commercialization and profitability • Increased capacity of county governments to deal with the regulatory and policy environment for livestock and rangeland development • Proactive policy to attract the private sector.
Other important background information of the project	Project Components: The first component will target the production level, the second will support participation of smallholders in the value chain. The third component will ensure project coordination, implementation support, the improvement of the institutional and policy environment and finance monitoring and evaluation aspects of the project.

	<p>Component 1: Climate-smart production enhancement for small livestock The component focuses on graduating ultra-poor households out of poverty through an approach which integrates a household methodology, Gender Action Learning System (GALS), with the Graduation Approach as well as building the capacity of market-oriented women and men small-holder farmers to increase their productivity, profitability and well-being. The Component is supported by the following sub-components: Sub component 1.1: Integrating Vulnerable HHs into Value Chains Sub-Component 1.2: Climate Resilient Production Systems</p> <p>Component 2: Support to Livestock Market Development This component is involved with improving market infrastructure and governance in markets within the project counties.</p> <p>The project beneficiaries: The primary target group will comprise: a) Very vulnerable, ultra-poor, mostly women headed households, pastoralist and agro-pastoralist households; b) Commercially orientated pastoralist and agro-pastoralist households; c) Young women and men involved in production and entrepreneurial activity at critical points in the value chain. The project will also engage with value chain drivers such as farmers who have the resources to function as:</p> <ul style="list-style-type: none"> • Breeders of livestock • Traders • Retailers • Wholesalers • Private sector companies • Transporters, • Private agro-input suppliers <p>KeLCoP will have a strong focus on the inclusion of women and youth, marginalized tribes and persons with disabilities. To directly benefit 110,000 households with a total number of 495,000 people.</p> <ul style="list-style-type: none"> • 54% (267,300) direct women beneficiaries • 30 (148,500) % will be youth beneficiaries • 5% (24,750) of beneficiaries will be from vulnerable groups (marginalized tribes, persons with disabilities and persons with HIV).
<p>Current situation that the project was formed to intervene</p>	<ul style="list-style-type: none"> • The Livestock sub-sector plays an important role in the Kenyan economy. The sub-sector is an ideal enterprise to improve household food and nutrition security, increase

	<p>incomes, create jobs and contribute to sustainable livelihoods of many rural people living below the poverty line.</p> <ul style="list-style-type: none"> • Small ruminant and poultry sub-sectors are experiencing low productivity and narrow profit margins due to: High cost of feed. Poor animal husbandry. Poor state of livestock infrastructure. Limited availability of processing facilities. Bottlenecks in the supply chain, which hinder efficient movement of livestock and its product downstream, thus preventing reciprocal livelihood improvement for people in the rural areas • Honey production is deemed low, with most of the honey processed in the country coming from Tanzania, yet it is estimated that there is approximately 80% of untapped nectar every flowering season. • In the last decade, low productivity in the sub-sector was exacerbated by the increasing severity and frequency of dry spells and heat waves, punctuated by periods of flooding, resulting from climate change and climate variability. Particularly in the ASALs, pastures are degrading, and little attention is paid to the governance arrangements to protect and manage them at the community level. • The increased heat stress is reducing water availability, increasing water scarcity and causing rangeland degradation and loss of key grazing territory. In turn, farmers are experiencing lower livestock productivity, increased incidence of livestock diseases and consequently higher mortality, as well as reduced grain quality and yields for animal feed. • It is in this regard that the GoK requested IFAD to finance a livestock project in the high potential and pastoral counties. Development of concept note was held from 20th August to 2nd September 2012 which informed the IFAD designed mission which took place from 13th January to 7th February 2020. • The International Fund for Agriculture Development (IFAD) and the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALFC) of the Government of Kenya (GoK) designed a new project titled the Kenya Livestock Commercialization Project (KeLCoP). This was done in consultation with participating counties and other relevant stakeholders in the value chains. • The KeLCoP will provide an opportunity for transformation of the livestock sector, which can generate major socio-economic benefits for rural communities in a sustainable manner.
Project duration	The project started on 5th March 2021 and is expected to run until 30th September 2027.

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

Cost Centre	Account No.	Banker
National level Designated Account	1000501798	Central Bank of Kenya
County level Designated Account.	1000542578	Central Bank of Kenya
IFAD: Kenya Livestock Commercialization-Loan Fund Operational Account	1287724450	Kenya Commercial Bank-Nakuru branch
IFAD: Kenya Livestock Commercialization- National Activities Account	1287724035	Kenya Commercial Bank-Nakuru branch
Busia		
Bungoma		
Kakamega		
Siaya		
Nakuru		
Trans Nzoia		
Elgeyo Marakwet		
Baringo		
Marsabit		
Samburu		

1.5 Auditors

The project is audited by the Office of the Auditor General

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

1.6 Roles and Responsibilities

Key PMCU staff

Names	Title designation	Key qualification	Responsibilities
Dr. Michael Kibiego, <i>PhD</i>	Ag. Project Coordinator	PhD in Agricultural Economics	Overall Project Management and Coordination
Abel Sawanga	Ag. Financial Controller	Bachelor of Business Administration	Management and administration of Project finances
Board Omondi	Ag. Procurement Specialist	Master of Science in Procurement and Logistics	Management and administration of project procurement

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Project information and overall performance (continued)

1.7 Funding summary

The Project is for duration of six years from 2021 to 2027 with an approved budget of EUR 47.45 million equivalent to Kshs 5.69 billion as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date -- (30th June, 2022)		Undrawn balance to date	
	Donor currency EUR	KShs	Donor currency EUR	KShs	Donor currency EUR	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Loan						
IFAD Loan	46,210,000	5,539,654,800	400,000	50,985,320	45,810,000	5,488,669,480
(ii) Counterpart funds						
Government of Kenya	1,240,000	148,651,200	417,084	50,000,000	822,916	98,651,200
Total	47,450,000	5,688,306,000	817,084	100,985,320	46,632,916	5,587,320,680

Kenya Livestock Commercialization Project (Ke/CoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)		Unutilised balance to date (30 th June 2022)	
	Donor currency <i>EUR</i>	<i>Kshs</i>	Donor currency <i>EUR</i>	<i>Kshs</i>	Donor currency <i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
IFAD Loan	400,000	50,985,320	396,788	50,575,950	3,211	409,370
(ii) Counterpart funds						
Government of Kenya	417,084	50,000,000	415,672	49,830,755	1,412	169,245
Total	817,084	100,985,320	812,460	100,406,705	4,623	578,615

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date
The budget for the KeLCoP for the 2021/2022 Fiscal Year was Kshs 184,974,800 of which Kshs. 50,000,000 is the Government of Kenya (GOK) contribution. The project spent a total of Ksh 100,406,706 (54%) of the budget to meet 47% of its planned activities for 2021/2022. Cumulative Project disbursements stand at 0.92% for the loan; counterpart (GoK) contribution is 2.62% and beneficiaries' contribution estimated at 0%. Combined total project disbursement stands at 0.8%. The Project met 47% of its target against a financial expenditure of 54% during the period under review.

Physical progress based on outputs, outcomes and impacts since project commencement
The Government of Kenya and the International Fund for Agriculture Development (IFAD) signed a loan agreement for the implementation of the Kenya Livestock Commercialization Project (KeLCoP) on March 5, 2021. The Project covers 10 implementing Counties namely: Elgeyo Marakwet, Baringo, Marsabit, Samburu, Busia, Bungoma, Kakamega, Siaya, Nakuru and Trans Nzoia. The Project was declared effective on March 5, 2021, with a completion date on 31st March 2027 and the Financing Closing Date shall be 30th September 2027.

During the period under review the project experienced a nine-month delay in implementation. The Start-up funds were wired to the loan project operational account for national activities on 01 December 2021. All the six conditions precedent to the first withdrawal was fulfilled by 11 August 2022 and evidence was submitted to IFAD by the Principal Secretary of State Department for Livestock on 12 August 2022.

Other start up activities accomplished was identification of project areas, sensitization of counties, and recruitment of project staff. However other activities were initiated and not completed due to limited funds and time, these are ongoing in the FY 2022/23 which include: Identification of beneficiaries; establishing county project technical teams; identification of key partners; preparation of partnership plans, and negotiating MoUs with all implementing partners; conducting Project baseline survey; conducting Social, Environmental and Climate Assessment Procedures (SECAP) study; development of M&E Frameworks including M&EMIS; and development of Website for KeLCoP.

Value for money achievements

The Project was able to utilise Ksh 100,406,706 (54%) of the budget towards start up activities which are very necessary as they led to the fulfilment of conditional requirements for the first disbursement.

Implementation Challenges and recommended way forward

Since the Project was starting was faced with delayed funding due to the donor requirements that needed to be fulfilled before the first disbursement.

The Project has now fulfilled the conditions and going forward the implementation will be smooth and timely.

The Project experienced financial challenges during the implementation period including lengthy procurement processes, late release of A.I.Es and start-up funds.

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

1.9 Summary of Project Compliance:

The Project is fully compliant with applicable laws and regulations, and essential external financing agreements/covenants

Below is a summary table on compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 4.01	<i>Designated Accounts:</i> The Borrower shall open and thereafter maintain in CBK, two Designated Account denominated in EUR for the purpose of receiving proceeds.	Before commencement	Complied	Bank Accounts for both National and County levels denominated in EUR opened and maintained with Central Bank of Kenya.
Section 4.02(b)	<i>Withdrawal to meet start-up costs</i> of the project to be from the date of entry into force of the agreement	Once	Complied	Project submitted its Withdrawal Application for release of start-up funds.
Section 4.2(a)	<i>Use of proceeds:</i> The Borrower and each Project party shall use the proceeds of the Loan exclusively to finance Eligible Expenditures.	Continuous	Complied	Withdrawal Applications submitted based on the agreed activities defined by categories and AWPB.
Section 7.01(b)	<i>Annual Work Plans & Budgets (AWPB).</i> The PMCU shall prepare a draft AWPB for each Project year.	Continuous	Complied	The AWPB prepared and approved by the National Steering Committee each financial year.
Section 7.02(b)	<i>Project Accounts:</i> The Lead Project Agency shall open and thereafter maintain in a commercial bank, 2 current accounts denominated in Kenya Shillings for receiving Loan and GOK proceeds.	30 days after effective date	Complied	Bank accounts for Loan and GOK proceeds opened and maintained with the Kenya Commercial Bank of Kenya.
Section 8.03	<i>Progress Reports:</i> The Lead Project Agency shall submit to the Fund six month and consolidated annual progress reports on Project implementation.	3 months after end of period	Complied	Always submitted.
Section 9.02	<i>Financial Statements:</i> The Lead Project Agency shall prepare the financial statements of the operations, resources and expenditures related to the Project. Reports to be audited.	4 months after end of period	Ongoing	In conformity with the Government of Kenya statutory requirements and IPSAS Cash basis of accounting.

2. Statement of Performance against Project's Predetermined Objectives

The project was on start-up activities for the period ended 30th June 2022, which was majorly on setup of project structures at National, PMCU and counties including recruitment of staff and engagement of key service providers to have an enabling environment to deliver on the development objective.

Introduction

Development Objective

Increase incomes of 110,000 poor livestock and pastoralist households, especially youth and women, in an environmentally friendly manner, in selected project areas of the 10 participating counties.

This objective will be achieved through:

- a. Empowered smallholder farmers and pastoralists
- b. Increased resilience and ability to cope with climate risks and enhanced productivity
- c. Increased use of ICT by scaling up e-extension models, e-finance approaches and market information
- d. Increased commercialization and profitability
- e. Increased capacity of county governments to deal with the regulatory and policy environment for livestock and rangeland development
- f. Proactive policy to attract the private sector.

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.

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Below we provide the progress on attaining the stated objectives:

Objective Hierarchy	Indicator	Target	Performance
Outreach	Number of households reached	-	-
	Number of corresponding households' members reached	-	-
	Number of persons services promoted or supported by the project	-	-
Project Goal: Contribute to the Government's agriculture transformation Agenda of increasing rural small-scale farmers' incomes, food and nutrition security	Increase in income of the targeted households	-	-
Development Objective: Increase incomes of 110,000 poor livestock and pastoralist HH, especially youth and women, in an environmentally friendly manner, in selected project areas of the 10 participating counties.	Proportion of beneficiary households reporting increase in income	-	-
Outcome 1: Enhanced poor rural people's production capacities	Number of Households reporting adoption of new/improved inputs, technologies or practices	-	-
	Households reporting an increase in production	-	-
Outcome 2: Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities.	Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices	-	-
Outcome 3: Enhanced poor rural people's benefit from market participation	Number of New own jobs created	-	-
	Proportion of supported rural enterprises reporting an increase in profit	-	-
	Households reporting improved physical access to markets	-	-
	Households reporting improved physical access to processing facilities	-	-
	Households reporting improved physical access to storage facilities	-	-
Outcome 4: Effective and efficient project management and coordination	Establishment of project structures national and county level (PSC, PMCU and 10 Counties)	12	12
	Recruitment of suitable qualified project staff	21	21
	Development of Financial Management systems	1	1
	Development of M&E framework and KM systems	1	1

3. Environmental and Sustainability reporting

The Project will be implemented in compliance with IFAD's SECAP guidelines and Government of Kenya's Environmental Laws. To achieve this, the project has developed an in-depth climate risk analysis report, an Environment and Social Management Framework (ESMF), an Integrated Pesticides Management Plan (IPMP), and an Indigenous Peoples Planning Framework (IPF) and Plan. The studies propose actions to enhance positive outcomes of project implementation and to mitigate negative impacts. The Indigenous Peoples Planning Framework and Plan articulate procedures and provide guidelines on how to engage indigenous peoples through the Free, Prior and Informed Consent Process, and how to ensure their active participation in the process of developing Indigenous Peoples action plans.

The Project design includes several sustainable environmental management and climate risk adaptation measures that will help smallholders manage risks. These include: provision of safety net support; water infrastructure development, to address drought and water scarcity especially for feed; contingency fund support through the National Government for climate related emergencies such as desert locusts and drought; support towards governance and rehabilitation of rangelands, strengthening pests and diseases surveillance and adoption of an integrated pesticides management plan; and, building smallholder resilience through improved animal husbandry management capacity, etc. Additionally, the project will mainstream climate resilience, sustainable natural resource management, as well as ensure environmental and social risks are mitigated in the prioritized value chains.

The project will also support establishment of **climate resilient water infrastructure** such as solar-powered boreholes, sub- surface dams, rock catchments, water pans and shallow wells. The markets that will be developed under the project will be climate- adapted by: use of durable metal fencing and roofing, local rock and mortar construction, and appropriate drainage. Interventions will include hygienic disposal and management of human and animal waste and emphasize green technology, including solar energy, use of biogas, water efficient technologies and practices, and strategic location of infrastructure to reduce adverse environmental impacts.

1) Sustainability strategy and profile

The Project is designed in a manner that after its six years implementation period the beneficiaries will have been capacity built enough to continue with the development agenda of the Project.

2) Environmental Performance

The Project has in-built mechanisms to ensure adherence to the Environmental Management and Coordination Act (1999) as well as the NEMA regulations in all its undertakings. This is to ensure environmental soundness and sustainability.

3) Employee Welfare

All participating Counties are required to ensure that there is strict adhere to the provisions of Occupational Safety and Health Act (2007) and the applicable regulations in as far as employee safety and welfare are concerned. Further, other legal requirements on gender equality, mainstreaming of special needs groups (PLWD's, marginalized and vulnerable groups) are adhered to.

4) Market Place Practices

All procurement activities are undertaken in strict compliance to the Public Procurement and Asset disposal act, 2015 as well as the Bank guidelines to ensure transparency, fairness and accountability.

5) Community Engagements

The Project is at its initial stage as it is just beginning. In its implementation, the Project will be directly involved with the community through community groups, community based organisations, cooperatives and County staff.

4. Statement of Project Management responsibilities

The *Principal Secretary* for the State Department for Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization Project (KeLCoP)* 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, 2022. 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* for the State Department for Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization 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* for the State Department for Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization 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, 2022, and of the Project's financial position as at that date.

The *Principal Secretary* for the State Department for Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization 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* for the State Department for Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization Project* confirm that the Project has

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

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* for the State Department of Livestock and the *Project Coordinator* for *Kenya Livestock Commercialization Project* on 11/11 2022 and signed by them.



Principal Secretary
Name: Harry Kintai, CBS



Project Coordinator
Name: Dr. Moses Kembe, PhD



Financial Controller
Name: Christopher Kingi
ICPAK Member Number: 9467

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 KENYA LIVESTOCK COMMERCIALIZATION PROJECT LOAN NUMBER 2000003565 AND 2000003566 FOR THE YEAR ENDED 30 JUNE, 2022 – STATE DEPARTMENT FOR LIVESTOCK

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements set out on page 1 to 32, which comprise the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows, 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, the financial statements present fairly, in all material respects, the financial position of Kenya Livestock Commercialization Project Loan Number 2000003565 and 2000003566 as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Loan Number 2000003565 and 2000003566 between International Fund for Agricultural Development (IFAD) and the Republic of Kenya dated 16 February, 2021 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Livestock Commercialization 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.

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, I confirm that, nothing 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

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement Loan Number 2000003565 and 2000003566 between International Fund for Agricultural Development and the Republic of Kenya dated 16 February, 2021, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project 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 Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls 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:

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 November, 2022

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

6. Statement of Receipts and Payments for the year ended 30th June 2022.

	Note	2021/2022		2020/2021		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	1	50,000,000	-	-	-	50,000,000
Proceeds from domestic and foreign grants	2	-	-	-	-	-
Loan from External Development Partners	3	50,985,320	-	-	-	50,985,320
Miscellaneous receipts	4	-	-	-	-	-
TOTAL RECEIPTS		100,985,320	-	-	-	100,985,320
PAYMENTS						
Compensation of employees	5	995,853	-	-	-	995,853
Purchase of goods and services	6	94,463,986	-	-	-	94,463,986
Social security benefits	7	-	-	-	-	-
Acquisition of non-financial assets	8	4,946,867	-	-	-	4,946,867
Transfers to other government entities	9	-	-	-	-	-
Other grants and transfers and payments	10	-	-	-	-	-
TOTAL PAYMENTS		100,406,706	-	-	-	100,406,706
SURPLUS/DEFICIT		578,615	-	-	-	578,615

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



Principal Secretary
Name: Harry Kimtai CBS



Project Coordinator
Name: Dr. Moses Kembe, PhD



Financial Controller
Name: Christopher Kingi
ICPAK Member Number: 9467

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11A	578,615	-
Cash Balances	11B	-	-
Cash equivalents (Short-term deposits)	11C	-	-
Total Cash and Cash equivalents		578,615	-
Imprests and Advances	12	-	-
Total Financial Assets		578,615	-
Financial Liabilities			
Deposits and Retention monies	13	-	-
Net Assets		-	-
Represented By			
Fund Balance B/fwd.	14	-	-
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		578,615	-
Net Financial Position		578,615	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 11/11/2022 and signed by:



Principal Secretary
Name: Harry Kimtai CBS



Project Coordinator
Name: Dr. Moses Kembe, PhD



Financial Controller:
Name: Christopher Kingi
ICPAK Member Number: 9467

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

8. Statement of Cashflow for the year ended 30th June 2022

	Notes	2021- 2022	2020- 2021
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Receipts from Government of Kenya	1	50,000,000	-
Loan from External Development Partners	3	50,985,320	-
Miscellaneous Receipts	4	-	-
Total receipts		100,985,320	-
Payments			
Compensation of Employees	5	995,853	-
Use of goods and services	6	94,463,986	-
Social Security Benefits	7	-	-
Transfers to Other Government Entities	9	-	-
Other Grants and Other Payments	10	-	-
Total payments		(95,459,839)	-
Adjustments during the year			
Prior year adjustments		-	-
Change in Imprests & Advances		-	-
Adjustments during the year	14	-	-
Net cash flow from operating activities		5,525,482	-
Cashflow from investing activities			
Acquisition of Non-financial Assets	8	4,946,867	-
Net cash flows from Investing Activities		(4,946,867)	-
Cash flow from financing activities			
Loan from External Development Partners	3	-	-
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalent		578,615	-
Cash and cash equivalent at BEGINNING of the year	11	-	-
Cash and cash equivalent at END of the year	11	578,615	-

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 1/1/22 2022 and signed by:



Principal Secretary
Name: Harry Kimtai CBS



Project Coordinator
Name: Dr. Moses Kembe, PhD



Financial Controller:
Name: Christopher Kingi
ICPAK Member Number: 9467


Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022


9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts						
Receipts from Government of Kenya	50,000,000	-	50,000,000	50,000,000	-	100%
Proceeds from Domestic and Foreign Grants						
Loan from External Development Partners	405,000,000	(270,025,200)	134,974,800	50,985,320	83,989,480	38%
Miscellaneous receipts						
Total Receipts	455,000,000	(270,025,200)	184,974,800	100,985,320	83,989,480	55%
Payments						
Compensation of employees	84,048,900	(70,285,300)	13,763,600	995,853	12,767,747	7%
Use of goods and services	255,560,650	(92,116,700)	163,443,950	94,463,986	69,424,665	58%
Social Security Benefits						
Acquisition of Non-financial Assets	115,390,450	(107,623,200)	7,767,250	4,946,867	2,820,383	64%
Transfers to Other Government Entities						
Other Grants and Other Payments						
Total Payments	455,000,000	(270,025,200)	184,974,800	100,406,706	84,568,095	54%

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


Principal Secretary
Name: Harry Kintai CBS


Project Coordinator
Name: Dr. Moses Kembe, PhD


Financial Controller
Name: Christopher Kingi
ICPAK Member Number: 9467

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for the Kenya Livestock Commercialization Project under State Department for Livestock. The financial statements are for **Kenya Livestock Commercialization Project** as required by Section 81 of the PFM Act, 2012.

10.3 Reporting currency

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

10.4 Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) 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 recognized in the financial statements at the time associated cash is received.

iv) 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.

v) Proceeds from borrowing

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

vi) 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.

10.5 Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) 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.

iii) Interest on borrowing

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

iv) 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.

v) 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.

10.6 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.

Significant Accounting Policies (Continued)

10.7 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.

10.8 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.

10.9 Imprests and Advances

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.

10.10 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:

Significant Accounting Policies (Continued)

- 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.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

The *Kenya Livestock Commercialization Project* 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.

10.12 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' 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.

Significant Accounting Policies (Continued)

10.13 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*.

10.14 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 loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

Significant Accounting Policies (Continued)

10.16 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.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

11. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry of Agriculture, Livestock, Fisheries and Cooperatives (State Department for Livestock)</i>			
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	25,000,000	-	25,000,000
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	25,000,000	-	25,000,000
Total (See Annex 2)	50,000,000	-	50,000,000
<i>Other transfers from government entities</i>			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Total	-	-	-

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
						2021-2022 Kshs	2020-2021 Kshs
Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-
Insert name of foreign Government	-	-	-	-	-	-	-
Grants Received from Multilateral Donors (International Organizations)	-	-	-	-	-	-	-
Insert name of international organization	-	-	-	-	-	-	-
Grants Received from Local Individuals and organizations	-	-	-	-	-	-	-
Insert name of individual or local organization	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash Kshs	Loans received as direct payment* Kshs	Total amount in Kshs	
					2021-2022	2020-2021
Loans received from bilateral Donors (Foreign Governments)						
Insert name of foreign Government						
Insert name of foreign Government						
Loans received from Multilateral Donors (International Organizations)						
IFAD	2021/22	400,000	50,985,320	-	50,985,320	-
Total		400,000	50,985,320	-	50,985,320	-

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

	2021-2022		2020/2021	Cumulative to-date (from inception) Kshs
	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	Total receipts Kshs	
Property income	-	-	-	-
Sales of goods and services	-	-	-	-
Administrative fees and charges	-	-	-	-
Fines, penalties, and forfeitures	-	-	-	-
Voluntary transfers other than grants	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-
Total	-	-	-	-

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

5. Compensation to Employees

	2021/2022		2020/2021		Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	995,853	-	995,853	-	995,853
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	995,853	-	995,853	-	995,853

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

	FY 2021/22			FY 2020/21	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	960,000	-	960,000	-	960,000
Communication, supplies and services	1,798,206	-	1,798,206	-	1,798,206
Domestic travel and subsistence	25,077,346	-	25,077,346	-	25,077,346
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and -- information supplies & services	1,379,002	-	1,379,002	-	1,379,002
Rentals of produced assets	-	-	-	-	-
Training payments	37,155,142	-	37,155,142	-	37,155,142
Hospitality supplies and services	5,911,057	-	5,911,057	-	5,911,057
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	-
Office and general supplies and services	4,492,766	-	4,492,766	-	4,492,766
Fuel oil and Lubricants	2,359,967	-	2,359,967	-	2,359,967
Other operating payments	7,235,274	-	7,235,274	-	7,235,274
Routine maintenance -- vehicles and other transport equipment	2,796,242	-	2,796,242	-	2,796,242
Routine maintenance-- other assets	5,298,983	-	5,298,983	-	5,298,983
Exchange rate losses/gains (net)	-	-	-	-	-
Total	94,463,986	-	94,463,986	-	94,463,986

Kenya Livestock Commercialization Project (KelCoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

7. Social Security Benefits

	2021-2022		2020-2021	Cumulative to-date Kshs
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs	Total Payments Kshs	
Government pension and retirement benefits	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-
Total	-	-	-	-

Kenya Livestock Commercialization Project (Ke|CoP)
Annual Report and Financial Statements for the period ended June 30, 2022

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

	FY 2021/2022			Total Payments	Total Payments	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments			
	KShs	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	-	-
Construction of buildings	-	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-	-
Construction of civil works	-	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-	-
Purchase of office furniture & general equipment	1,573,520	-	1,573,520	-	1,573,520	-
Purchase of Computers, Printers and other IT Equipment	3,373,347	-	3,373,347	-	3,373,347	-
Purchase of specialised plant, equipment and machinery	-	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-	-
Acquisition of land	-	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-	-
Total	4,946,867	-	4,946,867	-	4,946,867	4,946,867

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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the financial period to 30 June 2022, we transferred funds to reporting government entities as shown below:

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	Kshs
		2021-2022	2021-2022	2021-2022	
Transfers to National Government entities					
Ministry ABC	-	-	-	-	-
Project XYZ	-	-	-	-	-
Transfers to County Governments					
County ABC	-	-	-	-	-
County XYZ	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

	Payment s made in Cash	Payment s made by third parties	Total payment s	Total payment s	Cumula tive to- date
	2021-2022			2021- 2022	
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	-	-	-	-	-

11. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 11A)	578.615	-
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	578.615	-

The Kenya Livestock Commercialization Project has two commercial bank accounts at PMCU managed by the Project staff, two foreign currency designated accounts and other two central bank (local currency) managed by the National Treasury as listed below:

Notes to the Financial Statements (Continued)

11. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
CBK: National level Designated Account [A/c No: 1000501798]	-	-
CBK: County level Designated Account. [A/c No: 1000542578]	-	-
Total Foreign Currency balances	=	=
<u>CBK - Local Currency Accounts</u>		
Central Bank of Kenya [A/c No: 1000003987] - National level A/C	-	-
Central Bank of Kenya [A/c No:] - County level A/C	-	-
Total CBK - Local Currency balances	=	=
<u>Total Commercial Banks - Local Currency Accounts</u>		
Kenya Commercial Bank [A/c No: 1287724450] - Nakuru	409,370.00	-
Kenya Commercial Bank [A/c No: 1287724035] - Nakuru	169,245.00	-
Total	578,615.00	-

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2021-2022	2020-2021
	Kshs	Kshs
(i) Central Bank of Kenya [A/c No: 1000003987] – Special PMG A/C		
Opening balance	-	-
Total amount deposited in the account	50,985,320	-
Total amount withdrawn (as per Statement of Receipts & Payments)	50,985,320	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (<i>specify</i>)	-	-
Total cash in hand balances	=	=

11 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	Kshs	Kshs
Kenya Commercial Bank [A/C No.....]	-	-
Co-Operative Bank of Kenya [A/C No.....]	-	-
Others (<i>Specify</i>)	-	-
Total	=	=

12. Imprests and Advances

Description	2021-2022	2020-2021
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

12b: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Officer 1	-	-	-	-	-
Officer 2	-	-	-	-	-
Officer 3	-	-	-	-	-
Officer 4	-	-	-	-	-
Officer 5	-	-	-	-	-
Programme 1	-	-	-	-	-
Total	-	-	-	-	-

13. Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	-	-

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

	Balance b/f FY (2021/2022 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

16. Changes in Receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	-	-
Closing account receivables as at 30 th June 2022	-	-
Change in Receivables	-	-

17. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2021	-	-
Closing accounts payables as at 30 th June 2022	-	-
Change in payables	-	-

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12. Other Important Disclosures

12.1 Pending Accounts Payable (See Annex 3a)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	400,000	-	400,000
Supply of services	-	7,682,961	-	7,682,961
Total	-	8,082,961	-	8,082,961

12.2 Pending Staff Payables (See Annex 3b)

	Balance b/f FY 2020/20 21	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

Kenya Livestock Commercialization Project (KelCoP)
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Other Important Disclosures (Continued)

12.3 Other Pending Payables (See Annex 3c)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

12.4 External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

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Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

c) Classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

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Other Important Disclosures (Continued)

d. Non-monetary external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

e....Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	-	-
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	-	-

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Other Important Disclosures (Continued)

f. External Assistance paid by third parties on behalf of KeLCoP

This relates to external assistance paid directly by third parties to settle obligations on behalf of (the entity).

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

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13. Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	N/A	N/A	N/A	



Principal Secretary
 Name: Harry Kimtai CBS



Project Coordinator
 Name: Dr. Moses Kembe, PhD

Kenya Livestock Commercialization Project (KelCoP)
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14. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

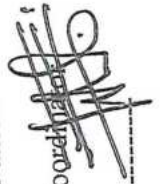
	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	50,000,000	50,000,000	-	100%	
Proceeds from domestic and foreign grants	-	-	-	-	
Loan from External Development Partners					
Miscellaneous receipts	134,974,800	50,985,320	83,989,480	38%	Due to delay in meeting mandatory disbursement conditions
Total Receipts	184,974,800	100,985,320	83,989,480	55%	
Payments					
Compensation of employees	13,763,600	995,853	12,767,747	7%	Delayed disbursement of funds
Purchase of goods and services	163,443,950	94,463,986	68,979,964	58%	Delayed disbursement of funds
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	7,767,250	4,946,867	2,820,383	64%	Delayed disbursement of funds
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	
Total payments	184,974,800	100,406,706	84,568,094	54%	

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Annex 2: Reconciliation of inter-entity transfers

Project Name: Break down of transfers from the State Department of Livestock			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
a. Government Counterpart funding			
	28.10.2021	25,000,000	FY 2021/2022
	13.05.2022	25,000,000	FY 2021/2022
	Total	50,000,000	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		-	
	Total	-	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	09.12.2021	50,985,320	FY 2021/2022
	Total	50,985,320	
	Total (A+B+C)	100,985,320	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
 KeLCoP
 Sign-----


Head of Accounting Unit
 State Department for Livestock
 Sign-----


Kenya Livestock Commercialization Project (KeCoP)
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Annex 3a - Analysis of Pending Bills

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021-2022	Outstanding Balance 2020/21	Comments
	a	b	c	d=a-c		
Construction of buildings	-	-	-	-	-	
Sub-Total	-	-	-	-	-	
Construction of civil works	-	-	-	-	-	
Sub-Total	-	-	-	-	-	
Supply of goods	-	-	-	-	-	
Committed Movers Ltd	400,000	19.05.2022	-	400,000	-	
Sub-Total	400,000			400,000		
Supply of services	-	-	-	-	-	
Kisumu Hotel (Maseno University)	485,300	26.11.2021	-	485,300	-	
Kisumu Hotel (Maseno University)	818,800	26.11.2021	-	818,800	-	
Kisumu Hotel (Maseno University)	345,000	26.11.2021	-	345,000	-	
Kisumu Hotel (Maseno University)	455,400	20.01.2022	-	455,400	-	
Government Advertising Agency	212,115	14.02.2022	-	212,115	-	
The Great Rift Valley Lodge PLC	2,505,200	23.05.2022	-	2,505,200	-	
The Great Rift Valley Lodge PLC	1,600,500	23.05.2022	-	1,600,500	-	
Dairy Training Institute	102,500	09.03.2022	-	102,500	-	
Dairy Training Institute	285,300	17.03.2022	-	285,300	-	
Bhogals Toyota Nakuru	349,250	14.03.2022	-	349,250	-	
Bhogals Toyota Nakuru	523,596	18.03.2022	-	523,596	-	
Sub-Total	7,682,961			7,682,961		
Grand Total	8,082,961			8,082,961		

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Annex 3b - Analysis of Pending: Staff Bills

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2020-2021	Outstanding Balance 2019/20	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

Kenya Livestock Commercialization Project (KelCoP)
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Annex 3c - Analysis of other Pending Payables

Name	Brief Description	Original Amount	Date Contracted	Payable Amount Paid To-Date	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

Kenya Livestock Commercialization Project (Ke/CoP)
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Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22 (a)	Donations in form of assets (KShs) 2021/22 (b)	*Purchases/ Additions in the Year (KShs) 2021/22 (c)	**Disposals in the Year (KShs) 2021/22 (d)	Transfers in/(out) KShs 2021/22 (d)	Closing Cost (KShs) 2021/22 (e)=(a)+(b)-(c)+(d)
Land	-	-	-	-	-	-
Buildings and structures	-	-	-	-	16,562,700	16,562,700
Transport equipment	-	-	-	-	-	-
Office equipment, furniture and fittings	-	-	1,585,409	-	-41,911,545	-41,911,545
ICT Equipment,	-	-	-	-	8,545,188	10,130,597
Other Machinery and Equipment	-	-	-	-	5,012,669	5,012,669
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	3,361,458	-	-	3,361,458
Work in Progress	-	-	-	-	-	-
Total	-	-	4,946,867	-	72,032,102	76,978,969

The assets were transferred to Kenya Livestock Commercialization Project by the State Department for Livestock. The assets were for the predecessor Programme (Smallholder Dairy Commercialization Programme - SDCP) which had been handed over to the State Department for Livestock after the closure of SDCP.

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Annex 5 – Contingent Liabilities Register

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

Kenya Livestock Commercialization Project (KelCoP)
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Annex: 6 Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

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Annex 7 Disaster Expenditure Reporting Template

Date: _____ Entity: _____						
Period to which this report refers (FY)	Year	Quarter	Telephone			
Name of Reporting Officer						
Contact details of the reporting officer:	Email					
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

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Annex 5: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2022

