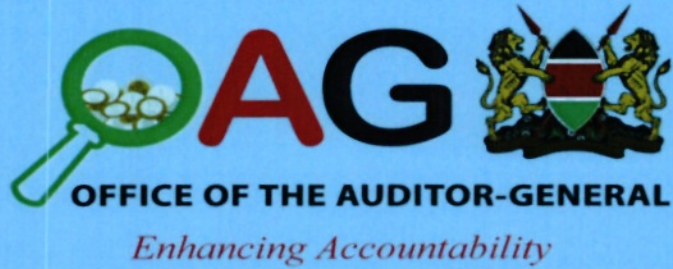


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

ON

KISII DEMONSTRATION FARM FUND

**FOR THE YEAR ENDED
30 JUNE, 2019**





DEMONSTRATION FARM FUND KISII
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019**

TABLE OF CONTENTS

TABLE OF CONTENTS	1
1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund) Bookmark not defined.	Error!
3. MANAGEMENT TEAM	4
4. BOARD/FUND CHAIRPERSON'S REPORT	5
5. REPORT OF THE FUND ADMINISTRATOR	6
6. CORPORATE GOVERNANCE STATEMENT	7
7. MANAGEMENT DISCUSSION AND ANALYSIS	8
8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT	9
9. REPORT OF THE TRUSTEES	10
10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	11
11. REPORT OF THE INDEPENDENT AUDITOR	12
12. FINANCIAL STATEMENTS	13
12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019	13
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019	14
12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019	15
12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019	16
12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019	17
12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	18
12.7. NOTES TO THE FINANCIAL STATEMENTS	32
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	57



1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Demonstration Farm Fund is established by and derives its authority and accountability from Exchequer and Audit Act, Cap 412 Laws of Kenya through Legal Notice No 456 of 16th November 1990. The Fund is wholly owned by the County Government of Kisii and is domiciled in Kenya.

The fund's objective is to provide funds for running of the commercial enterprises at ATC's on a revolving basis with the ultimate goal of making the ATC's self sustaining

The Fund's principal activity is to provide funds for developing and running of the commercial enterprises at ATC's.

Principal Activities

The principal activity is to provide funds for developing and running of the commercial enterprises at ATC's.

b) Key Management

Ref	Name	Position
1	Ms Naomi Mokaya	Chief Officer Agriculture & Cooperative Development
2	Ms. Dorice Ombuna	Principal Kisii ATC
3	Mr. John Nyalaji Nyandanyi	Deputy Director Finance

c) Registered Offices

P.O. Box 4550
Municipal Building
Kisii-Keroka Road
Nairobi, KENYA

d) Fund Contacts

Telephone: (254) 582030005
E-mail: ifo@kisii.go.ke
Website: www.kisii.go.ke

e) Fund Bankers

Kenya Commercial Bank
Kisii Branch
P.O. Box 476-40200
Kisii

f) Independent Auditors

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

g) Principal Legal Adviser


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

2. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Ms Naomi Mokaya	Bachelor of Arts (Anthropology)
2. Ms.Dorice Ombuna	Bachelor of Science(Agriculture &Human Ecology)
3. Mr.John Nyalaji Nyandanyi	Bachelor of commerce (Finance Option)/CPA K

BOARD/FUND CHAIRPERSON'S REPORT

The fund realised remarkable improvement in its revenue collection. This was mainly attributed to commitment by the key management team in ensuring that resources were always available to undertake the intended activity as and when need arises. The team also put in place mechanisms ensure that all the possible revenue stream are tapped. We look for in ensuring that there is continuous improvement and that the objective of the fund is achieved.

Signed:  _____

Naomi Mokaya

3. REPORT OF THE FUND ADMINISTRATOR

The fund realised remarkable improvement in its revenue collection. This was mainly attributed to commitment by the key management team in ensuring that resources were always available to undertake the intended activity as and when need arises. The team also put in place mechanisms ensure that all the possible revenue stream are tapped. We look for in ensuring that there is continuous improvement and that the objective of the fund is achieved.

Signed: _____  _____

Dorice Ombuna

4. CORPORATE GOVERNANCE STATEMENT

Two-to-three pages

(Under this section, include the number of Board meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, process of appointment and removal of trustees, roles and functions of the Board, induction and training, board and member performance, conflict of interest, board remuneration, ethics and conduct as well as governance audit.)

5. MANAGEMENT DISCUSSION AND ANALYSIS

Two- three pages

(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)

The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund supports enterprises in the farm and the training section that requires casual labour that is mainly sourced from the neighbourhood like tea pickers, dairy attendants, farm attendants, training facilities maintenance thus hostels cleaning, as source of employment and income to many in the area mainly women and youths who work as farm attendants. This in turn has helped them be able to educate their children and pay for their health care.

The enterprises in the farm are also training avenues for the farmers in the region on modern agricultural technologies at Zero costs during organised farmer field days. This has been source of empowerment to the community hence improved family incomes that enables them to cater for their family needs thus the fund contributes to the society.

On environmental conservation the organization has been in cooperating the environmental conservation aspects in their farmer trainings during the farmer open days such as planting of trees, use of conservation technologies such as fireless, Improved jikos in the kitchen, Use of biogas, planting of fuel wood and avoiding the planting of trees that are heavy consumers of water.

The organization also trains its clients on value addition and agro processing through the fund. This has helped to improve nutrition and healthcare. This has also become a source of employment and income to the community.

ep
or

7. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Fund affairs.

Principal activities

Principal activities

The principal activity is to provide funds for developments and running of the commercial enterprises at ATCs

Results

The results of the Fund for the year ended June 30, 2019 are set out on page 12

Trustees

The members of the Board of Trustees who served during the year are shown on page 3.

:

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to audit the Demonstration Farm Fund Kisii for the year/period ended June 30, 2019

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

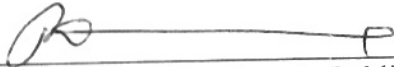
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Demonstration Farm Fund Kisii accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

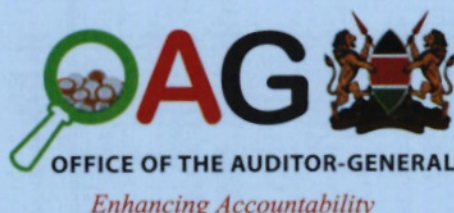
The Fund's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KISII DEMONSTRATION FARM FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kisii Demonstration Farm Fund set out on pages 13 to 58, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kisii Demonstration Farm Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Presentation of Financial Statements

The statement of financial position, statement of changes in net assets, statement of cashflows and statement of comparison of budget and actual amounts have not been properly identified in that page numbers have not been assigned contrary to paragraph 63 of International Public Sector Accounting Standard (IPSAS) 1, which require each component of the financial statements to be clearly identified.

Consequently, the financial statements have not been presented in accordance with IPSAS No 1.

2.0 Inaccuracies in the Financial Statements

The following inaccuracies were noted in the financial statements;

- 2.1 The figure of Kshs.9,205,565 reported as revolving fund balance in the statement of financial position does not agree with the balance of Kshs.2,469,015 in the statement of changes in net assets leading to an unreconciled difference of Kshs.6,736,550.
- 2.2 The statement of cash flows reflects increase in receivable of Kshs.6,000,000 but the statement of financial position reflects an increase of Kshs.6,736,550 under receivables resulting in an unexplained difference of Kshs.736,550.
- 2.3 The statement of changes in net assets reflects revolving fund balance of Kshs.2,469,015 but the same cast to Kshs.11,114,892 resulting in a casting difference of Kshs.8,645,877.
- 2.4 The statement of financial performance reflects nil amount under funds transferred to county imprest account but the respective Note 9 to the financial statements reflects Kshs.6,000,000 resulting in an unexplained difference of Kshs.6,000,000.

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

3. Current Portion of Long-term Receivables from Exchange Transactions

Included in the statement of financial position under current portion of long-term receivables balance of Kshs.6,736,550 is an amount of Kshs.6,000,000 described as transfer to Kisii County Executive imprests account which was not supported.

Consequently, the accuracy and validity of current portion of long-term receivables balance of Kshs.6,736,550 as at 30 June, 2019 could not be confirmed.

4.0 Property, Plant and Equipment

The statement of financial position reflects nil balance in respect of property, plant and equipment. However, the non-current assets held by the Fund as at 30 June, 2019 were not presented in the statement of financial position contrary to the requirements of International Public Sector Accounting Standard (IPSAS) No.17 - Property, Plant and Equipment. Examination of records and physical verification of the property, plant and equipment revealed the following anomalies:

4.1 Land and Buildings

The Fund as of 30 June, 2019 had 32.9 hectares of land valued at Kshs.493,500,000, on which also stand non-residential and residential buildings valued at Kshs.46,500,000. These assets have not been included in the financial statements.

4.2 Motor Vehicles

The Fund as at the date of the financial statements was in possession of two (2) Nissan pick-ups and three (3) motor cycles all of which had not been valued for purposes of incorporating them in the financial statements.

4.3 Other Non-Current Assets

The Fund was also in possession of other non-current assets of unknown values which were also not included in the financial statements. These include furniture and fittings (5 office desks, 5 office tables, 12 office chairs), biogas plant, fish pond, zero-grazing unit, computers, photocopiers and printers.

Consequently, the accuracy and validity of property, plant and equipment nil balance as at 30 June, 2019 could not be confirmed.

5. Biological Assets

The board of survey report dated 30 June, 2019 indicated that the Fund had 40 cows (23 mature animals and 17 calves), and crop enterprises consisting of 1.6 hectares of 5,000 mature tea bushes and 1,000 young tea plants, 0.4 hectares of bananas with 140 mature stools and 296 young plants and 2 hectares of coffee plants consisting of 1.6 hectares of mature bushes and 0.4 hectares of young plants. These biological assets were not valued and included in the statement of financial position as required under International Public Sector Accounting Standard (IPSAS) 27- Agriculture.

6. Statement of Comparison of Budget and Actual Amounts

Examination of the approved estimates for the Kisii County Ministry of Agriculture revealed that a total of Kshs. 14,940,000 was allocated to Kisii Demonstration Farm Fund (Agriculture Training Centre). However, the figure differs with the amount of Kshs. 7,968,993 which is reflected in the statement of comparison of budget and actual amounts for 2018/2019, leading to unexplained variance of Kshs. 6,971,007. Consequently, the accuracy and completeness of the statement of comparison of budgeted and actual amounts as at 30 June, 2019 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kisii Demonstration Farm Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Procurement of Goods and Services

Included in the statement of financial performance under general expenses of Kshs.7,968,993 is Kshs.5,647,462 relating to procurement of goods and services. Contrary to the provisions of section 107 of Public Procurement and Asset Disposal Act, 2015, the goods and services procured were paid for in cash despite not being low-value procurement in nature.

The details of the cash payments for items which were not competitively procured are as shown below:

Items	Amount Kshs.
Food/Feeds	4,066,341
Cleaning	244,177
Water/Electricity Repair	148,170
Fuel	318,470
Utensils	38,779
Service	96,210
Stationary	102,961
Animal Treatment	215,744
Building Items	45,420
Tools/Equipment	32,120
Input	42,670
Decorations	100,400
Beddings	196,000
Total	5,647,462

Consequently, the regularity and value for money of the expenditure of Kshs.5,647,462 could not be ascertained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that

govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Kisii Demonstration Farms Fund to sustain 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 Fund 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems

are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kisii Demonstration Farms Fund 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 Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Kisii Demonstration Farms Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

07 October, 2021

8. FINANCIAL STATEMENTS

**8.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	-	-
Revenue from Farm and TRAC	5	8,645,876	15,222,081
Total revenue		8,645,876	15,222,081
Expenses			
Fund administration expenses	6	-	-
Transfer to CRF	7	595,373	3,439,150
General expenses	8	7,968,993	10,158,835
Funds transferred to county imprest Account	9		
Finance costs	10	-	-
Total expenses		8,564,366	13,597,985
Other gains/losses			
Gain/loss on disposal of assets	11		
Surplus/(deficit)for the period		81,510	1,624,096

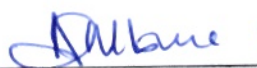
The notes set out on pages 33 to 44 form an integral part of these Financial Statements

Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019


8.2. STATEMENT OF FINANCIAL POSITIONAS AT 30 JUNE 2019

	Note	2018/2019 KShs	2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	12	2,469,015	8,387,506
Current portion of long term receivables from exchange transactions	13	6,736,550	-
Prepayments	14	-	-
Inventories	15	-	-
Non-current assets			
Property, plant and equipment	16	-	-
Biological Assets	17	-	-
Intangible assets	18	-	-
Total assets		9,205,565	8,387,506
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	-	-
Provisions	20	-	-
Current portion of borrowings	21	-	-
Employee benefit obligations	22	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	24	-	-
Total liabilities		-	-
Net assets		-	-
Revolving Fund		9,205,565	8,387,506
Reserves		-	-
Accumulated surplus		-	-
Total net assets and liabilities		9,205,565	8,387,506

Note: Non current assets had not been valued hence the figure only portrays current Assets.
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 _____ 2019 and signed by:



Administrator of the Fund
Name: Ms Dorice Ombuna



Fund Accountant
Name: John Nyandanyi
ICPAK Member Number:

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019**

8.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluati on Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	6,763,409	-	-	6,763,409
Surplus/(deficit) for the period	1,624,096	-	-	1,624,096
Funds received during the year	15,222,081	-	-	15,222,081
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	8,387,506	-	-	8,387,506
Balance as at 1 July 2018	8,387,506	-	-	8,387,506
Surplus/(deficit) for the period	81,510	-	-	81,510
Funds received during the year	8,645,876	-	-	8,645,876
Changes in Receivables	(6,000,000)	-	-	(6,000,000)
Balance as at 30 June 2019	2,469,015	-	-	2,469,015

**Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019**

8.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		-	-
Receipts from Farm and Training activities		8,645,876	15,222,081
Total Receipts		8,645,876	15,222,081
Payments			
Fund administration expenses		-	-
General expenses		8564366	13,597,984
Finance cost		-	-
Total Payments		8,564,366	13,597,984
Adjusted for:			
Increase in receivable		(6,000,000)	-
Net cash flows from operating activities	25	(5,918,490)	1,624,096
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		(5,918,490)	1,624,096
Cash and cash equivalents at 1 JULY	15	8,387,506	6,763,409
Cash and cash equivalents at 30 JUNE	12	2,469,015	8,387,506

Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019

8.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE
2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2019 KShs	2019 KShs	2019 KShs	2019 KShs	2019 KShs	2019
Revenue						
Public contributions and donations	-	-	-	-	-	-
Transfers from County Govt.						-
Interest income	-	-	-	-	-	-
Income from Farm Produce and Training	7,777,500	191,493	7,968,993	8,645,876	676,883	108.5
Total income	7,777,500	191,493	7,968,993	8,645,876	676,883	108.5
Expenses						
Fund administration expenses	-	-	-	-	-	-
General expenses	7,777,500	191,493	7,968,993	7,968,993	(191,493)	100
Transfers to County revenue Fund	-	-	-	595,373	(595,373)	-
Transfers to county Imprest Account	-	-	-			-
Finance cost	-	-	-	-	-	-
Total expenditure	7,777,500	191,493	7,968,993	8,564,366	(6,786,868)	-
Surplus for the period	-	-	-	81,510	-	-

8.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2018/2019 was approved by the County Assembly on 29th June, 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 8.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

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

6. Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

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

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

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

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

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent liabilities

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

12. Employee benefits– Retirement benefit plans

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

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

13. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

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

15. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

16. 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and residual values

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

The condition of the asset based on the assessment of experts employed by the Entity

The nature of the asset, its susceptibility and adaptability to changes in technology and processes

The nature of the processes in which the asset is deployed

Availability of funding to replace the asset

Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	736,550	736,550	-	-
Receivables from non exchange transactions	6,000,000	6,000,000	-	-
Bank balances	2,469,015	2,469,015	-	-
Total	9,205,565	9,205,565	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	-	-	-
USD	-	-	-
2018	-	-	-
Euro	-	-	-
USD	-	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019	2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

8.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

5. Other income

Description	2018/2019	2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Income from farm produce and training	8,645,876	15,222,081
Miscellaneous income	-	-
Total other income	8,645,876	15,222,081

6. Fund administration expenses

Description	2018/2019	2017/2018
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

7. Transfer to CRF

Description	2018/2019	2017/2018
	KShs	KShs
Transfer to CRF	595,373	3,439,150
Total	595,373	3,439,150



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Farm operations and hospitality	7,958,020	10,154,550
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	10,973	4,285
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
Total	7,968,993	10,158,835



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Transfers to other Government entities

Description	2018/2019	2017/2018
	KShs	KShs
Transfers to Kisii imprest account	6,000,000	-
Interest on loans from banks	-	-
Total	6,000,000	-

10. Gain/(loss) on disposal of assets

Description	2018/2019	2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	2,469,015	8,387,506
Others	-	-
Total cash and cash equivalents	2,469,015	8,387,506



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2018/2019	2017/2018
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1106481267	2,469,015	8,387,506
Bank B		-	-
Sub- total		2,469,015	8,387,506
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M-Pesa		-	-
Sub- total		-	-
Grand total		2,469,015	8,387,506

13.Receivables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Transfer to county imprest account	6,000,000	-
Other exchange debtors	736,550	-
Less: impairment allowance	-	-
Total Current receivables	6,736,550	
Non Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	6,736,550	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2018/2019	2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

15. Inventories

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings	Motor vehicles		Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2017	-	-	-	-	
Additions	-	-	-	-	
Disposals	-	-	-	-	
Transfers/adjustments	-	-	-	-	
At 30th June 2018	-	-	-	-	
At 1st July 2018					
Additions					
Disposals					
Transfer/adjustments					
At 30th June 2019					
Depreciation and impairment					
At 1 st July 2017					
Depreciation					
Impairment					
At 30th June 2018					
At 1st July 2018					
Depreciation					
Disposals					
Impairment					
Transfer/adjustment					
At 30th June 2019					
Net book values					
At 30th June 2018					
At 30th June 2019					



KISII ATC FIXED AND BIOLOGICAL ASSETS

All the fixed and biological assets are disclosed however their fair value could not be ascertained due to lack of capacity. However a request has been made to form Board of survey to come up with the values of the assets.

A. LAND

Area	Registration status & ownership	LR No.
32.9 Ha	<ul style="list-style-type: none"> The Land registration process is ongoing. 	Not issued.

B. Buildings

S/No.	Description	No. of Unit	Capacity	Remarks
a.	Administration Block	1	Host 3 Offices & 3 Classrooms	Building in use but old and requires renovation.
b.	Classrooms	3	100	<ul style="list-style-type: none"> 2 of the classrooms hold 30 each while one holds 40.
c.	Conference Hall	1	70	Building in use but old and requires renovation.
d.	New two floor building	1	14 self contained rooms.	Ground floor completed and handed over. The building is not in use.
e.	Reception	1	1	Partitioned for linen store
f.	Hostels	4	46 Rooms	All are not self contained. All the hostels are in use but require renovation

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

g.	Dining Hall	1	100	The building is in use but requires minor renovation
h.	Kitchen	1		The building is in use but requires minor renovation
i.	Flush Toilets	6		All in use but 5 require renovations
j.	Pit Latrines	7		
k.	Model House	1	1	For home economics use and requires renovation
l.	Agro processing Unit	1		Internal works and processing equipments not done.
m.	Banana pilot project	1		The building renovated by KIRDI for value addition and agro processing of farm produce
n.	Avocado Processing plant	1		Under construction for avocado value addition.
o.	Banana Processing plant	1		Under construction for banana value addition
p.	Energy centre	1		Under management of Department of energy.
q.	General Store	2		Both in use but in poor condition.
r.	Prefab house	1		The structure put up by Kisii Valley Integrated Project which was carrying out land reclamation of Swampy areas.
s.	Farm Office	1		<ul style="list-style-type: none"> • Old building and requires major renovation. • Office of the farm manager and other officers.
t.	Milking parlour	1	Can hold 10 animals at a time	Old building and requires major renovation.

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

u.	Milk plant cooler	1			Under construction for milk cooling and value addition.
v.	Farm house	1			Next to the tea farm. Requires major renovations
w.	High Grade(HG) Residential houses	3		3 Bedrooms	In poor condition and requires renovation.
x.	Medium Grade(MG) Residential houses	6		3 Bedrooms for 5 units and 2 bedrooms for 1 unit	In poor condition and requires renovation.
y.	Low Grade(LG) Residential houses	9		1 Bedroom	In poor condition and requires renovation.
z.	Unclassified(UC) Residential houses	7		1 Bedroom	In poor condition and requires renovation.

C. Vehicle(s)

S/No.	Type	Reg. No.	Engine No.	Chassis No.	Condition	Remarks
a.	Nissan Diesel-Double Cab	GK B709D	QD32-321288	ADNCJUD2 2ZOO36078	(good condition) A	In good condition
b.	Nissan Diesel-Single Cab	GK A809S	TD27-865629	JNIAHGD22 GZ0053523	Running but requires minor repairs (B1)	In good condition

D. Motorcycle(s)

S/No.	Type	Reg. No.	Engine No.	Chassis No.	Condition	Remarks
a.	Motor cycle-Honda 200	GK A 919M	5432N1	9C2MD289 X5R205214	Running but requires major repairs (B2)	Requires new battery

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

E. Plant, Machinery and Equipment

S/No.	Type	Reg. No.	Engine No.	Chassis No.	Condition	Remarks
a.	FORD 4610-tractor	GK N675	6015BA		Running but requires (C)	
b.	Trailer 4024	GK P059			Poor condition requiring major repairs- C	Tyres are old & worn-out and no rear door
c.	Lawn mower				Running but require repairs.	Working
d.	Electricity generator		JHIG8F ECAAH- 1130946 and 05K11022		Good working condition	

F. Workshop/Laboratory/Agro-processing Equipment

S/No.	Type of Equipment	Make	No. of Units	Serial No.	Remarks
a.	Honey extractor-Centrifuge		1	No S/No	Fabricated locally working
b.	Milk pasteurizer		1	No S/No	Fabricated locally working

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

c.	Oil extraction equipment-Oil press		1		Still packed and serial number cannot be seen.
d.	Weighing machine		1	No S/No	Working and digital

G. Office equipment

S/No.	Type of Equipment	Make	No. of Units	Serial No.	Remarks
a.	Desktop	Dell Lenovo	2 1	Optiplex 380 –S/Nos Not legible Lenovo- IS9622W2YL3A3667	All working
b.	Photocopier	NASHUATEC- DSM616	1	K8166311221	Not Working
c.	UPS(650 VA)	APC Digitex	1 2	APC-Not legible Digitex 080-110820- 1720. The others not legible	All Not working
d.	FAX Machine	Panasonic	1	No S/No	Not Working
e.	Printers	HP	2 1	P 2055-CNCJB99173 & CNCYC75923 P 2280- CN9561S4779	1 Working Working
f.	Orange Broad Band		1	3208261DP182068	Not Working

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

a.	Orange Modem	3G	1	ESN090E8E82	Working
b.	Telkom Wireless	Huawei	1	DK5TAA1911729099	Working
c.	Duplicating machine		1	Not legible	Not working
d.	Type writers		3	Not legible	Not working

H. OFFICE FURNITURE

S/No.	Type of Equipment	Make	No. of Units	Serial No.	Remarks
a.	Sofa set		1		7 seater
b.	Office Tables		7		
c.	Dining tables		12		Repair needed
d.	Classroom/conference tables		56		Different sizes
e.	Office Chairs		12		
f.	Plastic chairs		195		Different colors and make
g.	Beds		98		Size 4*6 are 12 Size 3*6 are 86
h.	Assorted linen				Most of them are old

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

J. Training and ICT Equipment

S/No.	Type of Equipment	Make	No. of Units	Serial No.	Remarks
a.	TV Phillips	Phillips	1	No S/N	At conference hall and in use
b.	Digital Decoder	Star times			At conference hall and in use
c.	Akali video	C-202FM	1	No S/N	Not working
d.	Film Projector	2692A	1	No S/N	Not working
e.	Voltmeter	ACDC	1	No S/N	Not working
f.	Overhead Projector	Elite Concord	1	No S/N	Not working
g.	T.V	Philips	1	No S/N	Not working
h.	Video	Philips	1	(JGO-196475-08496	Working
i.	Laptop	Dell Ispiron 6000	1	No S/N	Require repair
j.	LCD Projector	Sony Sony	2	No S/N	All working

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

K. Kitchen Equipment

S/No.	Type of Equipment	Make	No. of Units	Serial No.	Remarks
a.	Assorted cutlery	Assorted	-	N/A	In use
b.	Micro wave	Samsung	1	J5077MD2700079M	In use
c.	Food warmer	Oval, Rectangular	3		In use
d.	Tea urns		2		In use
e.	Meco Gas Cylinder	Complete	1		In use
f.	Gas Cylinder	Total	1		In use
g.	Deep Freezer			S/No not accessible	In use
h.	Fridge	LG, IGNIS	1 1	911INTX00017 N/A	In use heavy to turn
i.	Water Dispenser	Sanyo, Aston Meyers	1 1	No S/No	In use
j.	Solar boiler unit		1		Not in use

L. Other Infrastructure

a. S/no.	Item description	Units	Capacity	Remarks
b.	Zero grazing Unit	1	Holds 2 cows and calf	Not in use
c.	Fish Pond	1	1,000 fingerlings	Stocked with 1000 monosex fingerlings
d.	Borehole	1	1.44m cubed per hour	Not in use
e.	Water tanks-Plastics	4	16,900 Lts	One tank 10,000 lts, 3 tanks 2300lts and all in use

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

a.	Water tanks-Concrete	4	70,000Lts	2 tanks each 10,000lts and one 20,000lts and one 30,000lts. 20,000 lt tank is leaking
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17.BIOLOGICAL ASSETS

A. Dairy Animals

Category	UNITS	REMARKS
Mature animals	23	21 on milk,2 dry
Heifer	5	Incalf.
Heifers Calves	12	All below one year of age
TOTAL	40	

2.Fish pond

UNITS	Size/capacity	REMARKS
a	20X40 Ft	Has no fingerlings

B.Crop enterprises

Type	Acreage/Size	REMARKS
Tea	1.6 HA	3000 Mature bushes
Bananas	0.5Ha	All mature(600 stools)
Coffee	2Ha	2800 Ha for mature bushes.

C. Mature forest/Agro-forest trees

S/No	Species	Quantity	REMARKS
a.	Blue gum	1800	5 years old
b.	Grevilia	400	5 Years old

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Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

c.	Cyprus	10	Very old trees
d.	Macademia	40	Mature

Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18.Intangible assets-software

Description	2018/2019	2017/2018
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

19.Trade and other payables from exchange transactions

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

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Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019
20.Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2019)	-	-	-	-

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Demonstration Farm Fund Kisii
 Reports and Financial Statements
 For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Borrowings

Description	2018/2019 KShs	2017/2018 KShs
Balance at beginning of the period		
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

	2018/2019 KShs	2017/2018 KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from 'zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019

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

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Employee benefit obligations

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

Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
Surplus/ (deficit) for the year before tax	xxx	xxx
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

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Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

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Demonstration Farm Fund Kisii
Reports and Financial Statements
For the year ended June 30, 2019

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	6,000,000	-
Total	6,000,000	-

e) Due to related parties

	2018/2019	2017/2018
	KShs	KShs



Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

12. Contingent assets and contingent liabilities

Contingent liabilities	2018/2019		2017/2018	
	KShs		KShs	
Court case xxx against the Fund	-	-	-	-
Bank guarantees	-	-	-	-
Total	-	-	-	-

(Give details)

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Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019



9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Statement of comparison of budget and actual amounts. The budgeted amounts have not been presented in the statement of comparison.	The management has responded but waiting communication from The County assembly or The senate to file the response.			
2	Cash and Cash Equivalents. The cash book, Certificate of confirmation of bank balances and bank reconciliation statements in support of the balances were not provided.	The management has responded but waiting communication from The County assembly or The senate to file the response.			
3	Statement of changes in Net assets reflects	The management has responded but waiting			

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Demonstration Farm Fund Kisii)
Reports and Financial Statements
For the year ended June 30, 2019

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	<p>unexplained and unsupported balances of Kshs.8,273,398 and Kshs.6,763,409 as at 1st July 2016 and 1st July 2017 respectively</p> <p>Failure to present comparative information in the financial statements despite the fund being in existence from 2013.</p>	<p>communication from The County assembly or The senate to file the response.</p> <p>The management has responded but waiting communication from The County assembly or The senate to file the response.</p>			

