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THIRTEENTH PARLIAMENT – SECOND SESSION

THE NATIONAL ASSEMBLY

SPECIAL FUNDS ACCOUNTS COMMITTEE

REPORT

ON THE CONSIDERATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND FOR THE 2020/2021 AND 2021 /2022 FINANCIAL YEARS

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 14 AUG 2024	
DAY: WEDNESDAY	
TABLED BY:	HON. RAITHAN DAWOOD, MP VICE-CHAIR-SPECIAL FUNDS
CLERK AT THE TABLE:	ESTHER NGENO

Directorate of Audit, Appropriations, and Other Select Committees
National Assembly
Parliament Buildings
NAIROBI

August, 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

CoK	-	Constitution of Kenya, 2010
FY	-	Financial Year
MDAs	-	Ministries, Departments and Agencies
PFM	-	Public Finance Management
OAG	-	Office of the Auditor-General
PSASB	-	Public Sector Accounting Standards Board

CHAIRPERSON'S FOREWORD


Hon. Speaker, on behalf of the Special Funds Accounts Committee and pursuant to Standing Order 199, it is my pleasant duty and honor to present to the House the report of the Committee on the audited financial statements for the Agricultural Information Resource Centre Revolving Fund for the 2020/2021 and 2021 /2022 financial years.

Oversight over national revenue and expenditure is amongst the roles of the National Assembly as stipulated under Article 95 (4) (c) of the Constitution of Kenya, 2010. Further, Article 226 provides that an Act of Parliament shall provide for the designation of an Accounting Officer in every public entity at the national level who is accountable to the National Assembly for its financial management. In addition, Article 229(8) mandates this House to debate and take appropriate action on audit reports from the Auditor-General.

In fulfilment of these constitutional provisions, the National Assembly established various Committees to examine reports of the Auditor-General to ascertain whether public funds are utilized in a lawful, authorized, effective, efficient, economical, and transparent manner. The Special Funds Accounts Committee, which was established in the Fifth Session of the Eleventh Parliament following the review of the National Assembly's Standing Orders, is one of these Committees.

The Committee received oral and written submissions from Mr. Philip Kello Harsama, Principal Secretary, State Department Crop Development which formed the basis of its observations, findings, and recommendations. These are also contained in the Minutes and Hansard Reports of Committee proceedings. The Committee also met Dr. Paul K. Ronoh the Principal Secretary State Department for Crop Development a follow - up meeting regarding the audit query on the of failure to Appoint Members to the Board of Directors.

Hon. Speaker, I wish to express appreciation to the Honourable Members of the Committee, the Office of the Speaker, and the Clerk of the National Assembly, the Parliamentary Liaison Offices of the Auditor-General and the National Treasury and the Committee Secretariat for facilitating the Committee in the production of this report.


f. Hon. A. RAHIM LAWOOD - VICE CHAIR.
HON. FATUMA ZAINAB MOHAMMED, M.P.
CHAIRPERSON, SPECIAL FUNDS ACCOUNTS COMMITTEE

1.0 PREFACE

1.1 Establishment and Mandate of Special Funds Accounts Committee

1. The Special Funds Accounts Committee is one of the six Watchdog Committees of the National Assembly established under Standing Order 205. It is mandated to examine the reports of the Auditor General on the following:
 - i) *Funds established by statute or by subsidiary legislation, except Funds under Standing Order 205B (Decentralized Funds Accounts Committee)*
 - ii) *The Equalization Fund;*
 - iii) *The Equalization Fund Advisory Board;*
 - iv) *The Political Parties Fund; and*
 - v) *Other funds as may be communicated by the Honorable Speaker*

1.2 Committee Membership

2. The Committee comprises the following members:

S/ N	Name	Constituency	Party
1	Hon. Fatuma Zainab Mohammed, MP (Chairperson)	Migori (CWR)	Independent
2	Hon. Dawood Abdul Rahim, HSC, MP (Vice Chairperson)	North Imenti	Independent
3	Hon. Faith Wairimu Gitau, MP	Nyandarua (CWR)	UDA
4	Hon. Charles Ngusya Nguna	Mwingi West	Wiper
5	Hon. Dr. Christine Ombaka Oduor, MP	Siaya (CWR)	ODM
6	Hon. Erastus Kivasu Nzioka, MP	Mbooni	Wiper
7	Hon. Eve Akinyi Obara, MP	Kabondo Kasipul	ODM
8	Hon. Joseph Majimbo Kalasinga, MP	Kabuchai	FORD-K
9	Hon. Tom Mboya Odege, MP	Nyatike	ODM
10	Hon. Catherine Nakhabi Omanyoo, MP	Busia (CWR)	ODM
11	Hon. Cecilia Asinyen Ngitit, MP	Turkana (CWR)	UDA
12	Hon. Erick Kahugu Wamumbi, MP	Mathira	UDA
13	Hon. Joseph Kimutai Chererot, MP	Kipkelion East	UDA
14	Hon. Joshua Odongo Oron, MP	Kisumu Central	ODM
15	Hon. Paul Kibichi Biego, MP	Chesumei	UDA

1.3 **Committee Secretariat**

3. The Secretariat facilitating the Committee comprises the following staff:

S/N	NAME	DESIGNATION
1.	Mr. Erick Nyambati	Clerk Assistant I
2.	Ms. Comfort Achieng	Clerk Assistant III
3.	Mr. Nimrod Mate	Clerk Assistant III
4.	Mr. Robert Ngetich	Fiscal Analyst II
5.	Ms. Judith Kanyoko	Legal Counsel II
6.	Ms. Bevaline Mosoti	Research Officer III
7.	Mr. Derrick Kathurima	Media Relations Officer III
8.	Ms. Faith Muiya	Public Communications Officer III
9.	Mr. Peter Mutethia	Hansard Audio Officer III
10.	Mr. Joshua Lenambet	Serjeant At Arms

2.0 GENERAL OBSERVATIONS AND RECOMMENDATIONS

4. While examining the audited reports, the Committee made the following general observations and recommendations:

i. Non-Adherence to the Provisions of the Public Procurement Regulations

5. The Committee observed that the procurement plan provided for audit was not approved by the Accounting Officer as required by regulation 40(4) of the Public Procurement and Asset Disposal Regulations, 2020. There was also no evidence that the annual departmental procurement plans were submitted to the Accounting Officer by heads of user departments before the commencement of the financial year as stipulated in Section 40(3) of the Public Procurement and Asset Disposal Regulations, 2020. Further, the entity did not give evidence of the preparation and submission of monthly progress reports of all procurement contracts in the circumstances, Management was in breach of the law.
6. The Committee recommends that the Accounting Officer to comply with the Public Procurement and Asset Disposal Regulations 2020 Regulation 40(4) in approving the procurement plan and in preparing the Procurement plan as set out in the Third Schedule.
7. The Committee also recommends that the Accounting Officer should ensure that all applicable accounting and financial control systems, standards, laws, and procedures are followed in the preparation of the financial statements and in accordance with the standards prescribed by the Public Accounting Standards Board and in compliance with regulation 101(4) of the Public Finance Management (National Government) Regulations 2015.

ii. Failure to Appoint Members to the Board of Directors

8. The Committee observed that the entity does not have a duly appointed and functional Board. The Fund, therefore, lacks the governance structure as prescribed in the Exchequer and Audit (Agricultural Information Resource Centre Revolving Fund) Regulations, 1993.
9. The Committee recommends that the Accounting Officer to ensure that s/he notifies the appointing authority to appoint the new board of directors and chair at least (three)3 months before the expiry of the term of the existing board. Further, the appointing authority should appoint a new board of directors immediately after the expiry of the term of the existing board for strategic and oversight reasons.

iii. Lack of an Approved Budget

10. The approved budget for the Fund was not provided to confirm the authorized income and expenditure. Consequently, the regularity and validity of the budgeted

amounts, variances between the budgeted figures and actual amounts and explanation for the variances could not be ascertained.

11. The Committee noted the Accounting Officer's submissions that the Fund's budget for the financial year 2020/2021 was incorporated into the State Department for Crop Development under head 0022 since there was no duly appointed board to approve the budget for the entity.
12. The Committee recommends that the Accounting Officer always comply with the provisions of section 68(2)(h) of the PFM Act, 2012, in preparing the entity's annual budget. Further, the Accounting to notify the appointing authority to appoint the new Board of Directors and chair at least three (3) months before the expiry of the term of the existing board.

iv. Presentation and inaccuracies in the financial statements

13. The Committee observed inaccuracies in the financial statements occasioned by errors in posting and capturing of figures and failure to consider opening and closing stock balances and Non-compliance to the format prescribed by the Public Sector Accounting Standards Board (PSASB) amongst others.
14. The Committee recommends that the Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2012.
15. The Committee further recommends that the Accounting Officer to include correctional changes in the financial statements for the financial year 2022/2023 as prior year adjustments.

v. Failure to Maintain an Assets Register

16. The Committee observed that the Fund did not maintain an asset register in the year under review contrary to Paragraph 83(8) of the National Treasury Guidelines on Assets and Liability Management in the Public Sector, March 2020, which requires asset registers to be maintained for all different categories of assets. The Committee noted the submissions of the Accounting Officer submitted that the Fund had an Asset Register; however, the same had not been updated at the time of the Audit.

17. The Committee recommends that the Accounting Officer should ensure that the Fund maintains a complete and updated register of assets as per the requirements of Section 143 of the PFM (National Government) Regulations, 2015 and submit the updated register of assets to the Auditor General for audit verification.

3.0 EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND FOR THE 2020/2021 AND 2021/2022 FINANCIAL YEARS

18. Mr. Philip Kello Harsama, Principal Secretary, State Department Crop Development, appeared before the Committee on **23rd August, 2023** to adduce evidence on the audited financial statements for the Agricultural Information Resource Centre Revolving Fund for the 2020/2021 and 2021 /2022 Financial Years. The minutes of the Committee sitting, and submissions tabled by the Accounting Officer are annexed to this report. He was accompanied by:

1. Mr. Richard Githaiga- Director of Agricultural Information Resource Centre
2. Mr. Douglas Muremi- Deputy Accountant General
3. Mr. Adoyo Onyango- Principal Accountant
4. Mr. Justus M Mwantiti- Principal Accountant

19. The Committee held a follow-up meeting with Dr. Paul K. Ronoh, the Principal Secretary, State Department for Crop Development, on 28th November 2023 regarding the audit query on the failure to Appoint Members to the Board of Directors

3.1 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1) Presentation and Disclosure of Financial Statements

20. The financial statements submitted for audit for the year ended 30th June, 2021 reflect the following omissions in presentation, disclosures and other information accompanying the financial statements contrary to the requirements of the reporting guidelines and template prescribed by the Public Sector Accounting Standards Board (PSASB). Detailed information on the Board of Directors, key management team, report of the chief executive/accounting officer, management discussion and analysis and report of the directors were omitted.
21. The reports on corporate governance and environmental and sustainability reporting were all contained under one header, with information relating to the two all mixed up and incomplete. Consequently, the reporting format does not fully comply with the International Public Sector Accounting Standards (Accrual Basis) reporting template for State Corporations and Semi-Autonomous Government Agencies (SAGAS) Revised, 2021, prescribed by the Public Sector Accounting Standards Board.

Submissions by the Accounting Officer

22. The Accounting Officer submitted that the detailed information on the Board of Directors, key management team, report of the chief executive/accounting officer, management discussion and analysis and report of the directors were omitted. He noted that the information has since been included in the adjusted financial statement for FY 2020/2021 and would be displayed in the 2022/2023 FY.

23. He also confirmed that the report on corporate governance and environmental and sustainability reporting were all contained under one header, with information relating to the two all mixed up and incomplete. He stated that the anomaly had since been corrected in the adjusted financial statement for FY 2020/2021 and confirmed the same would be displayed in the 2022/2023 FY.

Observations and Findings of the Committee

24. The Committee observed that:
 - i. The detailed information on the key management team, report of the Chief Executive Officer/ Accounting Officer, management discussion and analysis and report of the directors were not included in the financial statements; and
 - ii. The matter remained unresolved.

Recommendations of the Committee

25. **The Committee recommends that:**
 - i. **The Accounting Officer must at all times ensure that all applicable accounting and financial control systems, standards, laws and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations 2015; and**
 - ii. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions and errors in the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly;**

2) Misclassification of Revenue from Exchange Transactions

26. The statement of financial performance reflects an amount of Kshs.17,899,906 in respect of revenue from exchange transactions, which includes other income of Kshs.1,879,116. However, a review of the accounting schedule provided for audit revealed that the Kshs.1,879,116 was regarding disbursements from the State

Department of Crop Development and Agricultural Research for payment of casual wages related to non-exchange transactions. Consequently, the accuracy and fair presentation of other income of Kshs.1,879,116 for the year under review could not be confirmed.

Submissions by the Accounting Officer

27. The Accounting Officer submitted that the Kshs.17,899,906 in respect to revenue from exchange transactions included Kshs. 1,879,116 related to non-exchange transactions. He noted that the segregation of the amounts had since been made in the certified financial statement for FY 2020-2021.

Observations and findings of the Committee

28. The Committee observed that:
- i. The Accounting Officer admitted to misclassifying revenue from exchange transactions amounting to Kshs—1,897,11, which is related to non-exchange transactions;
 - ii. The classification of the varied amounts has since been corrected in the revised certified financial statements; and
 - iii. The matter is resolved.

Recommendations of the Committee

29. **The Committee recommends that the Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

3) Inaccurate Statement of Cash Flows

30. The statement of cash flows for the year ended 30 June, 2021 reflects cash and cash equivalents balance of Kshs.809,219. However, a review of cash flows from various activities revealed the following anomalies:
- i. Cash flows from investing activities reflect an increase in debtors of Kshs.811,840, while the recalculated increase in debtors is Kshs.1,516,500, resulting in a variance of Kshs.704,660;
 - ii. Cash flows from financing activities reflect a decrease in government grants of Kshs.584,635. However, the government grants are not reflected in other components of the financial statements, including under revenue in the financial performance statement for the current and prior years; and

- iii. The statement of cashflows reflects a net increase in cash and cash equivalents of Kshs.625,856, while the recomputed amount is Kshs.1,154,577, resulting in a variance of Kshs.528,721.
31. Consequently, the accuracy and fair presentation of the statement of cash flows for the year under review could not be confirmed.

Submissions of the Accounting Officer

32. The Accounting Officer submitted the following:

Cash flows from investing activities

33. The Accounting Officer submitted that there was a variance of Kshs.704,660 under changes in debtors, which arose because of failure to consider amounts receivables from exchange and non-exchange transactions.
34. He explained that both items have since been considered, and appropriate adjustments have been made to the cash flow statement. Further, he stated that the increase in debtors was Ksh.1,516,500 as per the auditors' observations and that the prior year adjustments would be effected in the financial statement for 2022/2023 FY.

Cash flows from financing activities

35. The Accounting Officer submitted that the cash flow statement had a figure of Kshs. 584,635 under financing activities that had not been reflected anywhere else in the financial statement. He noted that it was an erroneous inclusion in the cash flow statement that had since been corrected in the adjusted financial statement for the 2020/2021 FY. He further stated that a correction journal entry for prior adjustment would be effected in the 2022-2023 FY.

Net increase in cash and cash equivalents

36. The Accounting Officer submitted that there was a variance of Kshs. 528,721 in the Statement of Cash flow under cash and cash equivalent against the recomputed figure of Kshs. 1,154, 577. He explained that the difference was an arithmetic error that had since been corrected in the adjusted cash flow statement for FY 2020-2021. He noted that the recomputed figure had changed to Kshs. 93,686.05 due to other adjustments made in the financial statement for FY 2020/2021, which shows the net effect.

Observations and Findings of the Committee

37. The Committee observed that:
 - i. The statement of cash flows for the year ended 30th June, 2021 was inaccurate because of the omission of receivables from exchange

transactions, non-exchange transactions, erroneous inclusion of adjusted figures, and arithmetic errors; and

- ii. The matter remained unresolved.

Recommendations of the Committee

38. The Committee recommends that:

- i. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions and errors in the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly; and**
- ii. **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

4) Inaccurate Balances in the Statement of Changes in Net Assets

39. The statement of changes in net assets reflects opening capital Reserves and opening accumulated surplus of Kshs.8,996,454.95 and Kshs.285,993 as at 1st July, 2020 respectively. However, recalculation of the movement from opening balances as at 01 July, 2019 revealed an unexplained net variance of Kshs.37,390,049.06 as analysed below:

Account	Balance as at 01 July, 2019 Kshs.	Net Changes during the year 2019/2020 Kshs.	Recalculated Balance as at 1 July, 2020 Kshs.	Disclosed Balance as at 1 July, 2020 Kshs.	Variance Kshs.
Capital reserve	23,919,175.01	0	23,919,175.01	8,996,454.95	14,922,720.06
Accumulated surplus	18,292,508.01	4,460,814.01	22,753,322.02	285,993.00	22,467,329.00
Total	42,211,683.02	285,993.00	46,672,497.03	9,282,447.95	37,390,049.06

40. Consequently, the accuracy and fair presentation of the statement of changes in net assets for the year under review could not be confirmed.

Submissions by the Accounting Officer

41. The Accounting Officer submitted that the variance arose due to the omission of capitalization of accumulated surplus brought forward of Kshs. 18,292,508 and depreciation reserves of Kshs. 33,215,228, which has since been recognized. He explained that the net effect was a decrease in the capital fund by kshs.1,885,283 from kshs.10,881,738.20 to kshs.8,996,455 and a negative accumulative surplus of kshs.42,111. He further noted that the prior year adjustments would be effected in the financial year 2022-2023.

Observations and Findings of the Committee

42. The Committee observed that:
- i. There was an unexplained net variance of Kshs.37,390,049.06 in the opening balance;
 - ii. The variance arose due to the omission of capitalization of accumulated surplus brought forward of Kshs. 18,292,508 and depreciation reserves of Kshs. 33,215,228; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

43. **The Committee recommends that:**
- i. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions in the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly; and**
 - ii. **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

5) Unsupported Revenue from Rendering of Services

44. The statement of financial performance reflects an amount of Kshs.16,020,790 in respect of revenue from the rendering of services. A review of the schedules provided for audit against the sales invoices revealed an amount of Kshs.20,813,244, resulting in an understatement of revenue realized by Kshs.4,792,454. Further, balances totalling Kshs.15,032,772 were not supported with invoices.

45. In addition, an audit review of the schedules against revenue source records disclosed that there were no approved budgets for projected revenue, no revenue accounts ledgers and no source records in the form of applications or requests for the services. In the circumstances, the accuracy and completeness of the disclosed revenue for rendering services of Kshs.16,020,790 for the year under review could not be ascertained.

Submissions of the Accounting Officer

46. The Accounting Officer submitted that the fund was maintaining one ledger for all the invoices, which was separated following advice from the auditors as indicated in issue number two above therefore, the total revenue from exchange and non-exchange transactions amounted to 20,813,246. He explained that the separation led to the creation of two categories of revenue, one of Kshs. 1,879,116 being a disbursement from the State Department for Crop development for payment of casual wages and Kshs. 18,934,130 being revenue from services.
47. He further noted that the increase in Kshs. 2,913,338 were invoices that had been omitted but had currently been incorporated as revenue from exchange transactions from Kshs.16,020,790 to Kshs.18,934,130, which was now considered as reflected in the adjusted financial statement under Statement of Financial Performance and a correction journal entry for prior adjustment would be affected in 2022/2023 FY. He also explained that the Kshs.15,032,772 related to bankings that had not been presented for receipting, but the same have since been recognized through a receipt journal, and a breakdown was provided, which is part of the Kshs 20,813,246.

Observations and Findings of the Committee

48. The Committee observed that:
- i. There was an understatement of revenue realized by Kshs.4,792,454;
 - ii. The understatement of Kshs.4,792,454 would be corrected in the 2022/2023 FY as a prior year adjustment;
 - iii. Details of bank receipts of Kshs.15,032,772 were not provided during the audit period but were later provided and verified by the auditor; and
 - iv. The matter remained unresolved.

Recommendations of the Committee

49. **The Committee recommends that:**
- i. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions in**

the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly;; and

- ii. **The Accounting Officer ensures that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

6) Unsupported Receivables from Exchange Transactions

50. As disclosed in Note 11 to the financial statements, the financial position statement reflects a Kshs balance.9,381,959 regarding receivables from exchange transactions. A review of the receivables schedule revealed that only invoices worth Kshs.4,340,660 out of the total balance of Kshs.9,381,959 had been issued to the clients for payment. Therefore, receivables amounting to Kshs.5,041,299 were not supported by corresponding invoices raised to the clients.
51. Further, included in the Kshs.9,381,959 is an amount of Kshs.7,053,619, which was outstanding as at 30 June, 2020 and has therefore been outstanding for more than one financial year. The Fund has not outlined any efforts put in place to recover the Kshs.7,053,619. In the circumstances, the accuracy and completeness of the receivables from exchange transactions balance of Kshs.9,381,959 as at 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

52. The Accounting Officer submitted that the invoices amounting to Kshs.5,041,299 related to many years back. He stated that a schedule had been attached for review, and they intended to do circularization to confirm the balances. He further noted that the Fund has since written demand letters to the clients requesting payments of the receivables that could be supported by invoices. He noted that a sample of copies of the letters were provided for audit verification.

Observations and Findings of the Committee

53. The Committee observed that:
 - i. The invoices for Kshs. 5,041,299 in receivables were not provided for verification during the audit period;
 - ii. The receivables from exchange transactions included Kshs.7,053,619

- that had been outstanding for more than one year;
- iii. The Fund has issued demand letters to the clients requesting payments for the receivables; and
- iv. The matter remained unresolved.

Recommendations of the Committee

54. The Committee recommends that:

- i. **Within three (3) months upon adoption of this report, the Accounting Officer should provide supporting invoices amounting to Kshs. 5,041,299 to the Auditor-General for audit verification;**
- ii. **Within six (6) months upon adoption of this report, the Accounting Officer MUST submit a status report on recoveries of Kshs.7,053,619 for outstanding receivables to the Auditor-General for audit verification; and**
- iii. **The Accounting Officer must at all times ensure timely provision of information and documentation required for audit verification during audit as per the provisions of Section 31 of the Public Audit Act, 2015 Cap 418.**

7) Overstated Cash and Cash Equivalents

55. As disclosed in Note 10 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.809,219. However, the balance reported is the amount as per the bank statement and not the cash book balance of Kshs.277,052 as at 30 June, 2021, resulting in an overstatement of Kshs.532,167. Consequently, the accuracy and completeness of cash and cash equivalents balance of Kshs.809,219 as at 30 June, 2021 could not be confirmed.

Submissions by the Accounting Officer

56. The Accounting Officer submitted that there was an overstatement of Kshs. 532,167 which was occasioned by using bank statement balances instead of the cashbook balance. He noted that the error had since been corrected in the adjusted financial statement for FY 2020/2021 under note 10, and a correction journal entry has since been made as prior year adjustment for FY 2022-2023.

Observations and Findings of the Committee

57. The Committee observed that:

- i. There was an overstatement of Kshs. 532,167 from cash and cash equivalents balance;

- ii. Management used bank statement balances instead of the cashbook balance; and
- iii. The matter remained unresolved.

Recommendations of the Committee

58. **The Committee recommends that:**

- i. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions in the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly; and**
- ii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

8) Long Outstanding Accounts Payable

59. The statement of financial position as at 30 June, 2021 reflects a current liabilities balance of Kshs.1,904,667, which has been outstanding from the year 2019/2020. However, supporting documents indicating the transactions that gave rise to the accounts payable were not provided for audit review. Consequently, the accuracy and completeness of the accounts payable balance of Kshs.1,904,667 as at 30 June, 2021 could not be ascertained.

Submissions by the Accounting Officer

60. The Accounting Officer submitted that the statement of financial position had a current liabilities balance of Kshs. 1,904,667.00. He noted the supporting documents indicating the transactions that gave rise to the accounts payable have since been provided.

Observations and Findings of the Committee

61. The Committee observed that:
- i. The current liabilities balance of Kshs.1,904,667 had been outstanding from the year 2019/2020; and
 - ii. The matter remained unresolved.

Recommendations of the Committee

62. **The Committee recommends that:**

- i. **Within three (3) months of the adoption of this report, the Accounting Officer to submit documentation on the transactions to fully account for the outstanding payables of Kshs.1,904,667 to the Auditor-General for audit verification; and**
- ii. **The Accounting Officer must at all times ensure timely provision of information and accounting documentation required for audit verification during the audit process as per the provisions of section 31 of the Public Audit Act, 2015 Cap 418.**

9) Lack of an Approved Budget

63. The statement of comparison of budget and actual amounts reflects a total budgeted income of Kshs.41,400,000 and a total budgeted expenditure of Kshs.32,390,400. However, the approved budget for the Fund was not provided for confirmation of the authorized income and expenditure. Consequently, the regularity and validity of the budgeted amounts, variances between the budgeted figures and actual amounts and explanation for the variances could not be ascertained.

Submissions of the Accounting Officer

64. The Accounting Officer submitted that the budget for the Fund for the financial year 2020/2021 had been incorporated into the State Department for Crop Development under head 0022 and was processed and approved through the normal government budget-making process. He provided a copy of the vote book status report.

Observations and Findings of the Committee

65. The Committee observed that:
- i. The Fund did not provide the approved budget for confirmation of the authorized income and expenditure for the financial year 2020/2021, contrary to Section 68(2)(h) of the PFM Act, 2012.
 - ii. The Fund's budget for the financial year 2020/2021 was incorporated into the State Department for Crop Development since the Fund's Board of Directors was not in place to approve the budget; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

66. **The Committee recommends that:**
- i. **The Accounting Officer should always comply with the provisions of section 68(2)(h) of the PFM Act, 2012 Cap 412 in the preparation of the annual budget of the entity;**
 - ii. **The Accounting Officer should ensure that s/he notifies the appointing**

authority to appoint the new Board of Directors and the Chairperson at least three (3) months before the expiry of the term of the existing board;

- iii. **The appointing authority should appoint a new Board of Directors immediately after the expiry of the term of the existing board for strategic and oversight reasons; and**
- iv. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

10) Failure to Maintain an Assets Register

67. The Fund did not maintain an asset register in the year under review contrary to Paragraph 83(8) of the National Treasury Guidelines on Assets and Liability Management in the Public Sector, March 2020, which requires asset registers to be maintained for all different categories of assets. In the circumstances, the Fund lacked an effective system for recording, controlling, and accounting for its assets.

Submissions by the Accounting Officer

68. The Accounting Officer submitted that the Fund had an Asset Register; however, the same had not been updated at the time of the Audit. He stated that a copy of the asset register was provided.

Observations and Findings of the Committee

69. The Committee observed that:
- i. The Fund did not maintain a complete and updated asset register as required by Regulation (143) of the Public Finance Management (National Government Regulations) 2015;
 - ii. The Fund lacked an effective system for recording, controlling, and accounting for its assets; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

70. **The Committee recommends that:**
- i. **The Accounting Officer must at all times maintain a complete and updated register of assets as per the requirements of Section 143 of the PFM (National Government) Regulations, 2015; and**

- ii. **Within three (3) months upon adoption of this report, the Accounting Officer should submit the updated register of assets to the Auditor General for audit verification and report to the National Assembly.**

3.2 Examination of the report of the Auditor-General for the Financial Year 2020/2021

1) Inaccuracies in the Financial Statements Amounts and Balances

71. A review of the financial statements submitted for audit revealed the following inaccuracies:
- i. Note 8 to the financial statements reflects internet connection expenses of Kshs. 654,288 out of which VAT payment of Kshs.7,569 is recorded as Kshs.75,680 resulting in an overstatement of the expenditure by Kshs.68,111;
 - ii. The statement of financial performance reflects expenditure on the purchase of goods and services of Kshs. 2,475,395 while the corresponding Note 4 to the financial statements reflects an amount of Kshs.2,575,395 resulting in an unreconciled variance of Kshs.100,000;
 - iii. The statement of cash flows reflects cash outflows from financing activities being Government Grants of Kshs. 504,999 whose details were not provided; and
 - iv. The statement of changes in net assets reflects the opening capital replacement development reserve balance of Kshs. 10,881,738 as at 1 July, 2021. However, audited financial statements for the previous year reflected a balance of Kshs. 9,282,448 as at 1st July, 2020 resulting in an unreconciled variance of Kshs. 1,599,290.
72. Consequently, the accuracy and fair presentation of the financial statements could not be confirmed.

Submissions by the Accounting Officer

73. The Accounting Officer submitted that:
- i. It was true that there was an overstatement of Ksh 68,111 under internet connection expenses. This overstatement was occasioned by an error in posting the figures. The overstatement has since been corrected. A copy of the journal voucher indicating corrective entries has been attached. Prior year adjustments will be effected in the financial statement for 2022/2023;
 - ii. It was true that there was a variance of Ksh 100,000 under the purchase of goods and services in the Statement of Financial Performance. The variance was caused by the failure to consider opening and closing stock balances. The two figures have since been considered in the statement for the financial performance of the adjusted financial statement for the year 2021/2022. Prior year adjustments will be effected in the financial statement for the year 2022/2023. A copy of a journal voucher indicating the correct entries was provided to the auditors;

- iii. It was true that the Statement of Cash flows reflected cash outflows from financing activities being government grants of Ksh 504,999. However, upon examination, it was noted that the figure was erroneous and has since been expunged from the cash flow statement, and the prior year adjustments would be reflected in the Financial Statement for the year 2022/2023;and
- iv. There was an unreconciled variance of Ksh 1,599,290 in the statement of changes in net assets. This was caused by using the wrong brought forward amount. The variance has been noted and corrected in the adjusted financial statement for FY 2021-2022. Prior year adjustments would be made in the FY 2022-2023 financial statement through a journal entry.

Observations and Findings of the Committee

74. The Committee observed that:

- i. There were various inaccuracies in the financial statements occasioned by errors in posting and capturing of figures and failure to consider opening and closing stock balances; and
- ii. The matter remains unresolved.

Recommendations of the Committee

75. **The Committee recommends that the Accounting Officer include correctional changes in the financial statements for the financial year 2022/2023 as prior-year adjustments.**

2) Understatement of Property Plant and Equipment Balance

76. The statement of financial position reflects a property, plant, and equipment net book balance of Kshs.336,683. The balance excludes fully depreciated assets with a total original cost of Kshs.38,347,572. However, the assets were still in use but have not been revalued. In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs.336,683 could not be confirmed.

Submissions by the Accounting Officer

77. The Accounting Officer submitted that the net book balance of property, plant and equipment was Kshs. 336,683 which excluded fully depreciated assets. He stated that the Agricultural Information Resource Centre (AIRC) was sourcing funds to undertake the revaluation exercise.

Observations and Findings of the Committee

78. The Committee observed that:

- i. The statement of financial position reflecting property, plant and equipment balance excluded fully depreciated assets with total original cost of Kshs.38,347,572; and
- ii. The matter remains unresolved.

Recommendations of the Committee

79. The Committee recommends that:

- i. **Within six (6) months upon adoption of this report, the Accounting Officer should undertake re-evaluation of its assets as per paragraph 94 of IPSAS 17 and submits a status report to the Auditor-General for verification; and**
- ii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

3) Inaccurate Cash and Cash Equivalents Balance

80. The statement of financial position reflects a cash and cash equivalents balance of Kshs.923,285 and a comparative balance of Kshs.809,219. However, and as previously reported, the comparative balance was the amount as per the bank statement and not the cash book balance of Kshs.277,052. No adjustment to correct the misstatement has been made. Further, reflected in the bank reconciliation statement for the month of June, 2022 is the unbanked cash amount of Kshs.18,000 which management explained was as a result of an amount of Kshs.102,000 being recorded as Kshs.120,000.
81. No explanation was provided by Management for the failure to adjust the cashbook accordingly. In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.923,285 could not be confirmed.

Submissions by the Accounting Officer

82. The Accounting Officer submitted that the cash and cash equivalents balances for the previous financial year were as per the bank statements and not as per the cash book. He stated that it was an error that had since been corrected under note 10 of the adjusted Financial Statements for the year 2021/2022, and prior year adjustments would be effected in the financial year 2022/2023 vide a journal entry.

83. He also stated that the cash book had since been adjusted, considering the Kshs. 18,000, and a copy of the cashbook extract indicating the corrective entry had been provided for audit verification.

Observations and Findings of the Committee

84. The Committee observed that:
- i. The cash and cash equivalents balances for the previous financial year were as per the bank statement balance of Kshs.809,219 and not as per the cash book balance of Kshs.277,052.
 - ii. There was an unbanked cash amount of Kshs.18,000, which management explained was because of an amount of Kshs.102,000 being recorded as Kshs.120,000, but no explanation was provided for the failure to adjust the cashbook accordingly, and
 - iii. The matter remained unresolved.

Recommendations of the Committee

85. **The Committee recommends that:**
- i. **Within three (3) months upon adoption of this report, the Accounting Officer should include correctional changes of the noted omissions in the financial statements for the financial year 2022/2023 and report to the Auditor-General and the National Assembly; and**
 - ii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

4) Unsupported Receivables from Exchange Transactions Balance

86. The statement of financial position and Note 11 to the financial statements reflect receivables from exchange transactions balance of Kshs.7,804,209. A review of the debtors ageing analysis revealed that debtors amounting to Kshs.7,316,169 have been outstanding for more than one (1) year. No provision for bad and doubtful debts has been made for the outstanding debts, and management has not provided evidence of efforts made to collect the debts.
87. Further, the receivables balances were not supported with relevant documents, including individual debtors' statements and contract documents. In the circumstances, the accuracy

and completeness of receivables from exchange transactions balance of Kshs.7,804,209 could not be confirmed.

Submissions by the Accounting Officer

88. The Accounting Officer submitted that the debtor ageing analysis amounted to Kshs 7,316,169 that had been outstanding for more than one (1) year and that no provision for bad and doubtful debts had been made. He explained that the fund did not have a policy in place on provision for bad and doubtful debts, However, they were working on this policy and would be in place within the course of the next financial year.
89. He further stated that the demand letters had since been written to the debtors requesting the clearance of the debts. Copies of these letters were provided for verification, and the receivables were supported by invoices.

Observations and Findings of the Committee

90. The Committee observed that:
- i. The debtor ageing analysis amounting to Kshs 7,316,169, had been outstanding for more than one (1) year, and no provision for bad and doubtful debts had been made;
 - ii. The Fund did not have a policy in place on provision for bad and doubtful debts;
 - iii. The receivables balances were not supported with relevant documents, including individual debtors' statements and contract documents;
 - iv. Management was working on a policy of provision for bad and doubtful debts and would be in place within the course of the next financial year; and
 - v. The matter remained unresolved.

Recommendations of the Committee

91. **The Committee recommends that:**
- i. **Within three (3) months of the adoption of this report, the Accounting Officer should ensure that the fund has developed a policy on provision for bad and doubtful debts and report to the National Assembly;**
 - ii. **The Accounting Officer must at all times ensure timely provision of information and accounting documentation required for audit verification during audit as per the provision of section 31 of the Public Audit Act, 2015 Cap 418; and**
 - iii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government)**

Regulations, 2015.

5) Long Outstanding Current Liabilities

92. The statement of financial position and Note 17 to the financial statements reflect the current liabilities balance of Kshs.1,498,598. Review of the supporting ledger revealed that the payables have been long outstanding, with some dating as far back as the financial year 2017/2018, for which none of the creditors has claimed the amounts. The Management did not explain why these payables have remained unpaid. In the circumstances, the accuracy and existence of the current liabilities balance of Kshs.1,498,598 could not be confirmed.

Submissions by the Accounting Officer

93. The Accounting Officer submitted that the current liabilities amounted to Ksh 1,498,598 and had been outstanding for a long time. He stated that it was caused by insufficient funds. He provided that the Agricultural Information Resource Centre (AIRC) had since started settling the bills where an amount of Ksh 406,069 was settled in the financial year under review, reducing the figure to the current liabilities balance (Ksh 1,904,667 – Ksh 406,069 = Ksh 1,498,598). He noted that AIRC was sourcing funds to clear the outstanding bills.

Observations and Findings of the Committee

94. The Committee observed that:

- i. The current liabilities amounted to Kshs. 1,498,598 and had been outstanding as far as 2017/2018.;
- ii. None of the creditors has laid claim on the unpaid amounts since 2017/2018; and
- iii. The matter remained unresolved.

Recommendations of the Committee

95. **The Committee recommends that:**

- i. **Within three (3) months upon adoption of this report, the Accounting Officer should prioritize the settlement of the long-overdue payables of Kshs. 1,498,598 and submit a report to the National Assembly;**
- ii. **Within three (3) months upon adoption of this report, the Accounting Officer should submit documentation on the transactions to fully account for the outstanding payables of Kshs. 1,498,598 to the Auditor-General for audit verification;**
- iii. **Within three (3) months upon adoption of this report, the Accounting Officer should surrender the unclaimed funds to the Unclaimed Financial Assets Authority (UFAA) in compliance with Section 3(b) of the UFAA Act, 2011 Cap 532 and submit a report to the National Assembly.**

6) Unsupported Daily Subsistence Allowance

96. The statement of financial performance and Note 5 to the financial statements reflects employee costs of Kshs.38,894,500 which relate to payments of daily subsistence allowances. Included in the expenditure are payments amounting to Kshs.36,762,800 made to facilitators and trainees involved in generating baseline data for livestock masterplan development at the ward level for the State Department for Livestock.
97. However, the expenditure was not supported with signed daily attendance registers as evidence of the occurrence of the activities. In the circumstances, the propriety, accuracy and completeness of the daily subsistence allowances expenditure amounting to Kshs.38,894,500 could not be confirmed.

Submissions by the Accounting Officer

98. The Accounting Officer submitted that Kshs. 36,762,800 related to payments made to facilitators and trainees involved in generating baseline data for livestock masterplan development at the ward level. He explained that the Function took place between May 2022 to June 2022 in various centres within the country and a sample of copies of signed daily attendance registers was provided as evidence of the occurrence of the activities. He also stated that a schedule of the figures was provided to the auditors.

Observations and Findings of the Committee

99. The Committee observed that:
- i. Kshs. 36,762,800 related to payments made to facilitators and trainees involved in generating baseline data for livestock masterplan development at the ward level;
 - ii. A sample of copies of signed daily attendance registers and a schedule of the figures had been attached as evidence of the occurrence of the activities however, the Schedule of figures did not provide the breakdown of individual beneficiaries, indicating names, personal numbers, National ID numbers, date and amounts advanced; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

100. **The Committee recommends that:**
- i. **Within three (3) months upon adoption of this report, the Accounting Officer should recover the unsurrendered imprest in compliance with section 93(6) of the PFM (National Government) Regulations,2015 and submit a report to the National Assembly;**
 - ii. **Within three (3) months upon adoption of this report, the Accounting**

Officer should submit the status report and necessary supporting documentation on the surrendered imprest to the Auditor-General for audit verification; and

- iii. **The Accounting Officer must at all times ensure timely provision of information and accounting documentation required during an audit as per the provision of section 31 of the Public Audit Act, 2015 Cap 418.**

7) Lack of Approved and Balanced Budget

101. The statement of comparison of budget and actual amounts reflects total budgeted income and expenditure of Kshs.41,400,000 and Kshs.23,419,036, respectively. However, the amounts were not supported with the approved budget. Further, the statement reflects the actual expenditure of Kshs.54,676,672, resulting in an over-expenditure of Kshs.31,257,636 contrary to the provisions of regulation 33 of Public Finance Management (National Government) Regulations, 2015, which provides that unless provided otherwise in the Act, these Regulations or any other guidelines developed in furtherance of the Act or these Regulations, the expenditure entered in national government budget estimates shall be authorized for one financial year only and that budget shall be balanced. In the circumstances, Management was in breach of the law.

Submissions by the Accounting Officer

102. The Accounting Officer submitted that the total budgeted income and expenditure was Kshs 41,400,000 and Kshs 23,419,036, respectively. He stated that the budget had been prepared through the normal government budget-making process together with the overall budget for the State Department. He further noted that a copy of the approved itemized budget from IFMIS has been attached. He explained that the over-expenditure of Kshs. 31,257,636 resulted from extra assignment from the State Department for Livestock.
103. He further submitted that the activity involved facilitating the countrywide training of the ward livestock Officers on livestock infrastructure data collection; Remitting allowances to the participants, including facilitators, from the advance budget provided by the SDL; providing the training logistics and procuring venues for training and seek reimbursements from SDL among other activities.
104. He also noted that a copy of the bank statement indicating the receipt of the funds from SDL and a memorandum of understanding between the Fund and the State Department for Livestock was provided for verification.

Observations and Findings of the Committee

105. The Committee observed that:
- i. Management did not prepare a budget for the financial year 2020/2021.
 - ii. The statement reflects an actual expenditure of Kshs.54,676,672 against a budgeted expenditure of Kshs.23,419,036 resulting to an unauthorized expenditure of Kshs.31,257,636; and
 - iii. The matter remained unresolved.

Recommendations of the Committee

106. **The Committee recommends that:**
- i. **The Accounting Officer must at all times comply with section 68(2)(h) of the PFM Act, 2012 Cap 412, on the preparation of the annual budget of the entity;**
 - ii. **Within three (3) months upon adoption of this report, the Accounting Officer should regularize the unauthorized expenditure of Kshs.31,257,636 in the financial year 2022/23 and submit a report to the National Assembly; and**
 - iii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**

8) Non-Adherence to the Provisions of the Public Procurement Regulations

107. A review of the procurement plan provided for audit revealed the following anomalies:
- i. The procurement plan was not approved by the Accounting Officer as required by regulation 40(4) of the Public Procurement and Asset Disposal Regulations, 2020;
 - ii. There was no evidence that the annual departmental procurement plans were submitted to the Accounting Officer by heads of user departments prior to the commencement of the financial year as stipulated in Section 40(3) of the Public Procurement and Asset Disposal Regulations, 2020;
 - iii. The entity did not give evidence of the preparation and submission of monthly progress reports of all procurement contracts as prepared by the head of the procurement function and submitted to the Accounting Officer and to the Cabinet Secretary quarterly reports on the implementation of the annual procurement plan;

- iv. The annual procurement plan was not prepared in accordance with the format set out in the Third Schedule of the Public Procurement and Asset Disposal Regulations, 2020 indicating planned dates against execution dates and the variances. Further, key execution dates for the planned procurements such as tender advertisement, evaluation, and notification of award and actual award, date of contract signing, were not stated.; and

108. In the circumstances, Management was in breach of the law.

Submissions by the Accounting Officer

109. The Accounting Officer submitted that there was a Procurement Plan though it wasn't approved by the Accounting Officer as required by Section 40 (4) of the Public Procurement and Asset Disposal Regulations, 2020. He stated that the Fund during the 2021/2022 Financial Year procured goods, works and services as per the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020 Provisions, despite the absence of the Consolidated Annual Procurement Plan.

Observations and Findings of the Committee

110. The Committee observed that:

- i. The procurement plan was not approved by the Accounting Officer as required by Regulation 40(4) of the Public Procurement and Asset Disposal Regulations, 2020;
- ii. The annual departmental procurement plans were not submitted to the Accounting Officer by heads of user departments prior to the commencement of the financial year;
- iii. The entity did prepare and submit the monthly progress reports of all procurement contracts as prepared by the head of the procurement function and submitted to the Accounting Officer and to the Cabinet Secretary of quarterly reports on the implementation of the annual procurement plan;
- iv. The annual procurement plan was not prepared in accordance with the format set out in the Third Schedule of the Public Procurement and Asset Disposal Regulations, 2020; and
- v. The matter remains unresolved.

Recommendations of the Committee

111. **The Committee recommends that:**

- i. **The Accounting Officer must at all times comply with the Public Procurement and Asset Disposal Regulations 2020 Regulation 40(4) in approving the procurement plan and in preparing the Procurement plan as set out in the Third Schedule; and**
- ii. **The Accounting Officer must at all times ensure that all applicable accounting**

and financial control systems, standards, laws, and procedures are followed in the preparation of the financial statements and in accordance with the standards prescribed by the Public Accounting Standards Board and in compliance with Regulation 101(4) of the Public Finance Management (National Government) Regulations 2015.

10. Failure to Appoint Members to the Board of Directors

112. Section 2, page (V) of the financial statement lists seven (7) persons including the entity's director as being members of the Board of Directors. However, a review of records revealed that the entity does not have a duly appointed and functional Board. The Fund therefore lacks the governance structure as prescribed in the Exchequer and Audit (Agricultural Information Resource Centre Revolving Fund) Regulations, 1993. In the circumstances, risk management and governance structures were not effective.

Submissions of the Accounting Officer

113. The Accounting Officer submitted that the fund did not have a duly appointed board however, the process of constituting the board was ongoing.
114. The Accounting Officer in a follow up meeting regarding the issue of expenditure of Kshs.10,631,520 for board, seminars, and conferences under general expenses in the absence of a duly appointed board submitted that an expenditure of Ksh. 10,631,520 was reported as Boards, Seminars & Conferences in the financial statement for financial year 2021/2022 under Note 8.
115. He further submitted that the expenditure under general expenses for Boards, Seminars & Conferences related to hire of conference facilities during seminars and conferences facilities for training, seminars, sensitizations, and outreach activities carried out within the year.
116. Therefore, the Ksh. 10,631,520 does not relate to payment of Board allowances or any other expense directly related to the Board. The statement of Financial Performance For the year ended 30th June 2022, Note.9 (pg. 16) of the Financial Statements separately discloses such Board expenses and clearly indicates that there was a zero expenditure on the same.

Observations and Findings of the Committee

117. The Committee observed that:
- i. The Fund did not have a duly appointed and functional board during the financial year 2021/2022
 - ii. The financial statements included a list of seven (7) directors whose term had

- expired;
- iii. An expenditure of Kshs.10,631,520 for board, seminars and conferences was classified under general expenses contrary with the PFM (National Government) Regulations 99 (1) and (2) on account codes and stand chart of accounts approved by National Treasury.
 - iv. The matter remained unresolved.

Recommendations of the Committee

118. **The Committee recommends that:**

- i. **The Accounting Officer should ensure that, s/he notifies the appointing authority to appoint the new board of directors and the chairperson at least three (3) months before the expiry of the term of the existing board;**
- ii. **Within three (3) months upon adoption of this report the Accounting Officer to provide a status update on the process of constituting a board to the Auditor - General for audit verification.**
- iii. **The Accounting Officer must at all times ensure compliance with the Regulations 99 (1) and (2) of the PFM (National Government) Regulations, 2015 on account codes and stand chart of accounts approved by National Treasury when preparing financial statements; and**
- iv. **Within three (3) months upon adoption of this report, the Ethics and Anti-Corruption Commission should commence investigation into the expenditure of Kshs.10,631,520 under general expenses for Boards, Seminars & Conferences and to confirm whether the amount was used legally in the absence of a duly appointed Board.**

11) Internal Controls Weaknesses

119. An assessment of the Fund's internal control environment revealed that the Fund did not have an internal audit function to continuously monitor implementation of internal controls and no evidence was provided to confirm that internal audit activities were performed on the Fund. Further, during the year under review, the Fund did not have a documented risk management policy and did not perform any risk assessments. In addition, the Fund Management has not established a disaster recovery/business continuity plan. In the circumstances, the Fund's internal controls were not effective.

Submissions by the Accounting Officer

120. The Accounting Officer submitted that the fund did not have an internal audit function of its own and there was no documented risk management policy and disaster recovery/business continuity plan. He stated that in the meantime, the fund was using

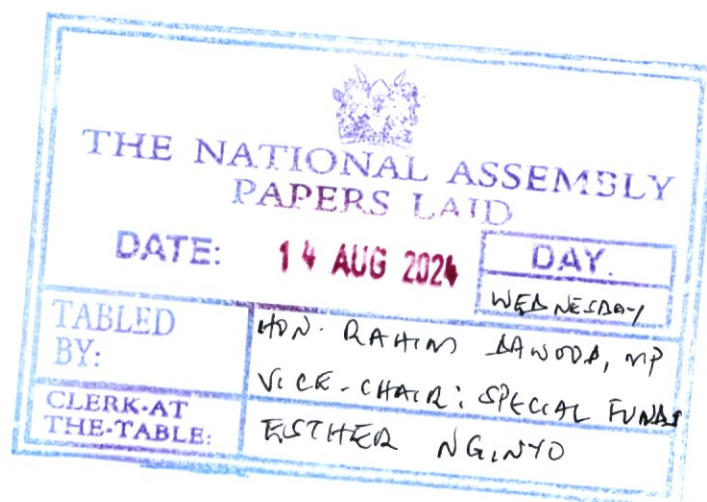
the internal audit function for the State Department. He explained that the risk management policy and disaster recovery/ business continuity plan preparation was at the stakeholder engagement phase and would be in place by the end of the next financial year.

Observations and Findings of the Committee

121. The Committee observed that:
- i. The Fund did not have an internal audit function to continuously monitor the implementation of internal controls;
 - ii. The Fund did not have a documented risk management policy and did not perform any risk assessments;
 - iii. The Fund Management has not established a disaster recovery/business continuity plan; and
 - iv. The matter remained unresolved.

Recommendations of the Committee

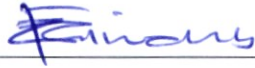







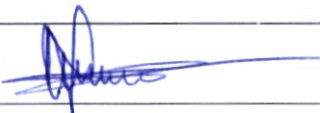

122. The Committee recommends that:
- i. **Within three (3) months upon adoption of this report, the Accounting Officer should develop an internal audit and a risk management policy as well as a disaster recovery/business continuity plan and report to the National Assembly; and**
 - ii. **The Accounting Officer must at all times ensure that all applicable accounting and financial controls, systems, standards, laws, and procedures are followed in the preparation of the financial statements in compliance with the Public Finance Management Act, 2012 Cap 412 and in accordance with the standards prescribed by the Public Sector Accounting Standards Board as per Regulation 101(4) of the Public Finance Management (National Government) Regulations, 2015.**



THIRTEENTH PARLIAMENT – THIRD SESSION
THE NATIONAL ASSEMBLY
SPECIAL FUNDS ACCOUNTS COMMITTEE.
ADOPTION LIST FOR THE
TWELVETH REPORT ON AUDITED FINANCIAL STATEMENTS FOR
THE:

Agricultural Information Resource Center

- 2020/2021 and 2021/2022

NO.	NAME	SIGNATURE
1.	Hon. Fatuma Zainab Mohammed, MP - Chairperson	
2.	Hon. Dawood Abdul Rahim, HSC, MP – Vice-Chairperson	
3.	Hon. Charles Ngusya Nguna, MP	
4.	Hon. Dr. Christine Ombaka Oduor, MP	
5.	Hon. Erastus Kivasu Nzioka, MP	
6.	Hon. Eve Akinyi Obara, MP	
7.	Hon. Faith Wairimu Gitau, MP	
8.	Hon. Joseph Majimbo Kalasinga, MP	
9.	Hon. Tom Mboya Odege, MP	
10.	Hon. Catherine Nakhabi Omanyu, MP	
11.	Hon. Cecilia Asinyen Ngitit, MP	
12.	Hon. Erick Wamubi MP	
13.	Hon. Joseph Kimutai Chererot, MP	
14.	Hon. Joshua Odongo Oron, MP	
15.	Hon. Paul Biego Kibichy, MP	

MINUTES OF THE 50TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE HELD ON WEDNESDAY 6TH SEPTEMBER 2023 IN ENGLISHPOINT MARINA HOTEL MOMBASA, AT 2.30 PM.

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
3. Hon. Erastus Kivasu Nzioka, MP
4. Hon. Joseph Kimutai Chererot, MP
5. Hon. Catherine Nakhabi Omanyoo, MP
6. Hon. Paul Kibichi Biego, MP
7. Hon. Cecilia Asinyen Ngitit, MP
8. Hon. Tom Mboya Odege, MP
9. Hon. Charles Ngusya Nguna, MP
10. Hon. Dr. Christine Ombaka Oduor, MP

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Eve Akinyi Obara, MP
3. Hon. Kahugu Erick Mwangi, MP
4. Hon. Joshua Odongo Oron, MP
5. Hon. Joseph Majimbo Kalasinga MP

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

NATIONAL TREASURY

Mr. Simon K. Kiriiba - Parliamentary Liaison Officer

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Senior Clerk Assistant
2. Mr. Silvanus Makau - Clerk Assistant III
3. Mr. Robert Ngetich - Fiscal Analyst II
4. Ms. Judith Kanyoko - Legal Counsel II
5. Ms. Bevaline Mosoti - Research Officer III
6. Mr. Peter Mutethia - Audio Officer III
7. Mr. Benard Omondi - Serjeant At Arms

MIN. NA/AA&SC-SFAC/2023/077: PRELIMINARIES

The Chairperson called the meeting to order at 2.42pm, followed by a word of prayer and introductions.

MIN. NA/AA&SC-SFAC/2023/078: **CONSIDERATION AND ADOPTION
OF A REPORT ON THE COMMITTEE'S EXAMINATION OF THE REPORTS OF THE
AUDITOR - GENERAL ON THE AGRICULTURE RESOURCE CENTRE FUND FOR
THE FINANCIAL YEARS 2020/2021 AND 2021/2022**

2020/2021 Financial Year

1. Presentation and Disclosure of Financial Statements

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

2. Misclassification of Revenue from Exchange Transactions

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

3. Inaccurate Statement of Cash Flows

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

4. Inaccurate Balances in the Statement of Changes in Net Assets

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

5. Unsupported Revenue from Rendering of Services

Observations and findings of the Committee

The Committee agreed to the draft observations.

MIN. NA/AA&SC-SFAC/2023/156: CONSIDERATION AND ADOPTION
OF A REPORT ON THE COMMITTEE'S EXAMINATION OF THE REPORTS OF THE
AUDITOR - GENERAL ON THE AGRICULTURE RESOURCE CENTRE FUND FOR
THE FINANCIAL YEARS 2020/2021 AND 2021/2022

2020/2021 Financial Year

1. Presentation and Disclosure of Financial Statements

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

2. Misclassification of Revenue from Exchange Transactions

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

3. Inaccurate Statement of Cash Flows

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

4. Inaccurate Balances in the Statement of Changes in Net Assets

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

5. Unsupported Revenue from Rendering of Services

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

**6. Unsupported Receivables from Exchange Transactions
Observations and findings of the Committee**

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

**7. Overstated Cash and Cash Equivalents
Observations and findings of the Committee**

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

**8. Long Outstanding Accounts Payable
Observations and findings of the Committee**

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

**9. Lack of Approved Budget
Observations and findings of the Committee**

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

10. Failure to Maintain an Assets Register

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

FINANCIAL YEAR 2021/2022

**1. Inaccuracies in the Financial Statements Amounts and Balances
Observations and findings of the Committee**

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

2. Understatement of Property Plant and Equipment Balance

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

3. Inaccurate Cash and Cash Equivalents Balance

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

4. Unsupported Receivables from Exchange Transactions Balance

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

5. Long Outstanding Current Liabilities

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

6. Unsupported Daily Subsistence Allowance

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

7. Lack of Approved and Balanced Budget

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

8. Non-Adherence to the Provisions of the Public Procurement Regulations

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee added a recommendation that the Accounting Officer to submit a status report on the approval of the procurement plan to the Auditor - General within three months of the adoption of the report.

9. Failure to Appoint Members to the Board of Directors

The Committee observed that the Accounting Officer submitted that the **Fund** did not have a duly appointed Board. However, the Committee noted that an expenditure of **Kshs. 10 631,520** was incurred under general expense for board, seminars and conferences, as indicated in Note 8 to the financial statements.

The Committee resolved to invite the Accounting Officer to a follow- up meeting to seek a additional information on the same before making recommendations.

10. Internal Controls Weaknesses

Observations and findings of the Committee

The Committee agreed to the draft observations.

Recommendations of the Committee

The Committee agreed to the draft recommendations.

Adoption of report

The Committee resolved to defer the adoption of the report until the meeting with the Principal Secretary, State Department for Crop Development was held to address the pending issue on the failure to appoint members to the Board of Directors.

MIN. NA/AA&SC-SFAC/2023/157:

ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 5.10 p.m. The next meeting will be held on Thursday 7th September ,2023 at 9:30 am.

SIGNED.....*Fatuma*.....DATE.....*12/ Oct / 2023*.....
.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE 47TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON WEDNESDAY, 22ND AUGUST 2023, IN THE COMMITTEE ROOM ON 5TH
CONTINENTAL HOUSE, PARLIAMENT BUILDINGS, AT 09.30 AM.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Erastus Kivasu Nzioka, MP
3. Hon. Dr. Christine Ombaka Oduor, MP
4. Hon. Tom Mboya Odege, MPHon.
5. Cecilia Asinyen Ngikit, MP
6. Hon. Joseph Kimutai Chererot, MP
7. Hon. Eve Akinyi Obara, MP

APOLOGIES

1. Hon. Faith Wairimu Gitau, MP
2. Hon. Joshua Odongo Oron, MP
3. Hon. Joseph Majimbo Kalasinga
4. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
5. Hon. Paul Kibichi Biego, MP
6. Hon. Catherine Nakhabi Omanyoo, MP
7. Hon. Kahugu Erick Mwangi, MP
8. Hon. Charles Ngusya Nguna, MP

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. Stephen Karanu - Director of Audit
2. Ms. Ruth Kuria - Deputy Director
3. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer

NATIONAL TREASURY

1. Mr. Jackson Ndungo - Parliamentary Liaison Officer

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND.

2. Mr. Kello Harsama - Principal Secretary Crop Development
3. Mr. Adoyo Onyango - Principal Accountant
4. Mr. Justus Mwathi - Principal Accountant
5. Mr. Richard Githaiga - Director
6. Mr. Douglas Mutemi - Deputy Accountant General

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Senior Clerk Assistant 1
2. Mr. Silvanus Makau - Clerk Assistant III
3. Mr. Robert Ngetich - Fiscal Analyst II
4. Ms. Bevaline Mosoti - Research Officer III
5. Mr. Peter Mutethia - Audio Officer III
6. Mr. Benard Omondi - Sargent art arm
7. Ms. Judith Kanyoko - Legal Counsel II

MIN. NA/AA&SC-SFAC/2023/146:

PRELIMINARIES

The Chairperson called the meeting to order at 09.45 am, followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of Audited Financial Statements of the Agricultural Information Resource Centre Revolving Fund for the Financial Years 2020/2021 and 2021/2022.**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Mr. Kello Harsama, the Principal Secretary State Department for Crop Development, undertook the witness oath and tabled the management responses and supporting documents on the audited accounts of the Fund for the Financial Years 2020/2021 and 2021/2022.

MIN. NA/AA&SC-SFAC/2023/147:

EXAMINATION OF AUDITED ACCOUNTS OF THE AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND FOR THE FINANCIAL YEARS 2020/2021 AND 2021/2022.

Financial Year 2020/2021

1. Presentation and Disclosure of Financial Statements

- i. The financial statements submitted for audit for the year ended 30 June, 2021 had detailed information on the Board of Directors, key management team, report of the chief executive/accounting officer, management discussion and analysis and report of the directors omitted.
- ii. The report on corporate governance and environmental and sustainability reporting were all contained under one header, with information relating to the two all mixed up and incomplete.

Management response

The Accounting Officer submitted that:

- i. The omitted information has since been included in the revised FY 2020/2021 financial statement and will be displayed in the 2022-2023 FY.
- ii. The anomaly in corporate governance and environmental and sustainability reporting has since been corrected in the revised financial statement for FY 2020/2021.

Committee Observation

The Committee observed that the matter was addressed.

2. Misclassification of Revenue from Exchange Transactions

Kshs.1,879,116 was regarding disbursements from the State Department of Crop Development and Agricultural Research for payment of casual wages, which was classified under revenue from exchange transactions instead of from non-exchange transactions.

Management response

The Accounting Officer submitted that the segregation of the amounts has since been made in the certified financial statement for FY 2020-2021

Committee Observation

The Committee observed that the matter was addressed.

3. Inaccurate Statement of Cash Flows

- i. Cash flows from investing activities in the statement of cash flows reflect an increase in debtors of Kshs. 811,840, while the recalculated increase in debtors is Kshs. 1,516,500, resulting in a variance of Kshs.704,660.
- ii. Cash flows from financing activities reflect a decrease in government grants of Kshs.584,635. However, the government grants are not reflected in other components of the financial statements, including under revenue in the financial performance statement for the current and prior years.

Management response

The Accounting Officer submitted that:

- i. The variance of Kshs.704,660 arose because of failure to consider amounts from both receivables from exchange and non-exchange transactions. Both items have since been considered, and appropriate adjustments have been made to the cash flow statement.
- ii. The figure of Kshs.584,635 was noted as an erroneous inclusion in the statement of cash flow that has since been corrected in the adjusted financial statement for FY 2020/2021

Committee Observation

The Committee observed that the matter was still pending until the financial statements of 2022/2023 were interrogated for confirmation of the same.

4. Inaccurate Balances in the Statement of Changes in Net Assets

There was an unexplained net variance of Kshs.37,390,049.06

Management Responses

The Accounting Officer submitted that variance arose due to the omission of capitalization of accumulated surplus brought forward of Ksh 18,292,508 and depreciation reserves of Kshs 33,215,228, which have now been recognized in the adjusted financial statement for FY 2020/2021. The prior year adjustments will be effected in the financial year 2022-2023.

Committee Observation

The Committee observed that the matter was still pending until the financial statements of 2022/2023 were interrogated for confirmation of the same.

5. Unsupported Revenue from Rendering of Services

- i. There was an understatement of revenue realized by Kshs.4,792,454. Further, balances totalling Kshs.15,032,772 were not supported with invoices.
- ii. An audit review of the schedules against revenue source records disclosed that there were no approved budgets for projected revenue, no revenue accounts ledgers or source records in the form of applications or service requests.

Management response

The Accounting Officer submitted that:

- i. The Fund maintained one ledger for all the invoices, which was separated following advice from the auditors. Therefore, the total revenue from exchange and non-exchange transactions amounted to 20,813,246. The separation led to the creation of two categories of revenue amounting to Ksh 1,879,116, being disbursements from the State Department for crop development for payment of casual wages and Ksh 18,934,130 being revenue from offering services.
- ii. The increase of Ksh 2,913,338 in invoices that had been omitted but are now incorporated as revenue from exchange transactions from Kshs.16,020,790 to Kshs.18,934,130 is now considered as reflected in the revised financial statement under Statement of Financial Performance and correction for prior adjustment will be affected in 2022-2023 FY.
- iii. The Ksh 15,032,772 related to banking that had not been presented for receipting. However, they have since been recognised, and a breakdown was provided to the auditors. The same was part of the Ksh 20,813,246.

Committee Observation

The Committee observed that the matter was still pending until the financial statements of 2022/2023 were interrogated for confirmation of the same.

6. Unsupported receivables from exchange transactions

- i. invoices worth Kshs.4,340,660 out of the total balance of Kshs.9,381,959 had been issued to the clients for payment.
- ii. Included in the Kshs.9,381,959 is an amount of Kshs.7,053,619, which was outstanding as at 30 June, 2020 and has therefore been outstanding for more than one financial year.

Management Response

The Accounting Officer submitted that:

- i. The invoices supporting Ksh 5,041,299 were issued to the clients; a summary was provided for review; and
- ii. The Fund had written demand letters to the clients requesting payments. A sample of copies of the letters was provided and the Fund intended to circularize to confirm the balance.

Committee Observation

The Committee observed that the matter was still pending until the financial statements of 2022/2023 were interrogated for confirmation of the same.

7. Overstated Cash and Cash Equivalents

There was an overstatement of Kshs.532,167 in the financial statements.

Management response

The Accounting Officer submitted that the overstatement was occasioned by using bank statement balances instead of the cashbook balance. This error has since been corrected in the adjusted financial statement for FY 2020/2021.

Committee Observation

The Committee observed that the matter was still pending until the Financial statements of 2022/2023 were interrogated for confirmation of the same.

8. Long outstanding Accounts payable

The statement of financial position as at 30 June, 2021 reflects the current liabilities balance of Kshs.1,904,667, which has been outstanding from the year 2019/2020 and the supporting documents indicating the transactions that gave rise to the accounts payable were not provided for audit review.

Management response

The Accounting Officer submitted that: supporting documents indicating the transactions that gave rise to the accounts payable have been provided.

Committee Observation

The Committee observed that the matter remained unresolved since the balances were still outstanding.

9. Lack of approved budget

The statement of comparison of budget and actual amounts reflects a total budgeted income of Kshs.41,400,000 and a total budgeted expenditure of Kshs.32,390,400. However, the approved budget for the Fund was not provided to confirm the authorized income and expenditure.

Management Response

The Accounting Officer submitted that the approved budget for the Fund was not provided since the fund did not have a board during the financial year 2020/2021.

Committee Observation

The Committee observed that the matter was still pending since a budget approved by the Board of Directors was not provided.

10. Failure to maintain an Assets Register

The Fund did not maintain an asset register in the year under review, contrary to Paragraph 83(8) of the National Treasury Guidelines on Assets and Liability Management in the Public Sector, March 2020.

Management Response

The Accounting Officer submitted that the Fund had an Asset Register; however, the same had not been updated at the time of the Audit. A copy of the asset register has since been provided to the auditors.

Committee Observation

The Committee observed that the matter was not resolved since the assets register was incomplete as it lacked location details and the make/mode year of purchase asset number.

Financial Year 2021/2022**1. Inaccuracies in the Financial Statements Amounts and Balances**

- i. The statement of financial performance reflects expenditure on the purchase of goods and services of Kshs.2,475,395, while the corresponding Note 4 to the financial statements reflects an amount of Kshs.2,575,395, resulting in an unreconciled variance of Kshs.100,000.

- ii. The financial statements reflect internet connection expenses of Kshs.654,288, of which VAT payment of Kshs.7,569 is recorded as Kshs.75,680, resulting in an overstatement of the expenditure of Kshs.68,111.

Management Response

The Accounting Officer submitted that:

- i. The variance was caused by the failure to consider opening and closing stock balances. The two figures have since been considered. The financial statement for FY 2022/2023 will effect prior year adjustments.
- ii. The overstatement of Kshs. 68,111 was occasioned by an error in posting the figures. The overstatement has since been corrected.

Committee Observation

The Committee observed that the matter was still pending until the Financial statements of 2022/2023 were interrogated for confirmation of the same.

2. Understatement of Property Plant and Equipment Balance

The statement of financial position reflects a property, plant and equipment net book balance of Kshs.336,683. The balance excludes fully depreciated assets with a total original cost of Kshs.38,347,572. However, the assets were still in use but have not been revalued.

Management Response

The Accounting Officer submitted that the fund was sourcing funds for the revaluation exercise.

Committee Observation

The Committee observed that the matter was not resolved since the assets were yet to be revalued

3. Inaccurate Cash and Cash Equivalents Balance

- i. The comparative balance of Kshs.809,219 was as per the bank statement and not the cash book balance of Kshs.277,052. No adjustment to correct the misstatement had been made.
- ii. There was an unbanked cash amount of Kshs.18,000, which management explained resulted from an amount of Kshs.102,000 being recorded as Kshs.120,000. No explanation was provided by Management for the failure to adjust the cashbook accordingly.

Management Response

The Accounting Officer submitted that:

- i. On the cash and cash equivalents, the Management explained that it was an error that had since been corrected under note 10 revised financial statements for FY 2021/2022, and prior year adjustments will be effected in the financial year 2022/2023.
- ii. The cash book has since been adjusted, considering the Ksh 18,000

Committee Observation

The Committee observed that the matter was still pending until the Financial statements of 2022/2023 were interrogated for confirmation of the same

4. Unsupported Receivables from Exchange Transactions Balance

Debtors amounting to Kshs.7,316,169 have been outstanding for over one (1) year. No provision for bad and doubtful debts has been made for the outstanding debts, and Management has not provided evidence of efforts made to collect the debts.

Further, the receivables balances were not supported with relevant documents, including individual debtors' statements and contract documents.

Management Response.

The Accounting Officer submitted that the Fund did not have a policy on provision for bad and doubtful debts. However, Management is working on this policy, which will be in place within the next financial year. The demand letters have since been written to the debtors requesting the clearance of the debts. The receivables were supported by invoice copies.

Committee Observation

The Committee observed that the matter was not resolved since there was no policy on provision for the outstanding debts in place and no response was received from the debtors.

5. Long Outstanding Current Liabilities

There was a current liabilities balance of Kshs.1,498,598, which had been long outstanding, with some dating back to the financial year 2017/2018, for which none of the creditors had laid claim on the amounts

Management Response

The Accounting Officer submitted that the delay in settling the debts was caused by insufficient funds. However, the Fund has since started settling the bills where Kshs.406,069 was settled in a financial year under review, reducing the figure to the current liabilities balance. The Fund is sourcing funds to clear the outstanding bills.

Committee Observation

The Committee observed that the matter was not resolved since circularization of the payables was not done.

6. Unsupported Daily Subsistence Allowance

The expenditure of Kshs.36,762,800 made to facilitators and trainees involved in generating baseline data for livestock masterplan development at the ward level for the state department for livestock was not supported with signed daily attendance registers, as evidence of the occurrence of the activities.

Management Response

The Accounting Officer submitted that a sample of copies of signed daily attendance registers and a schedule of the figures were provided as evidence of the occurrence of the activities.

Committee Observation

The Committee observed that the matter remained unresolved since there was no breakdown of the individual beneficiaries

7. Failure to disclose material uncertainty in relation to the sustainability of services

There was an accumulated deficit of Kshs.2,216,159. This material uncertainty casts significant doubt on the Fund's ability to continue to sustain its services and may face challenges in settling obligations as and when they may fall due.

Committee Observation

The Committee observed that the matter was unresolved since no response was given.

8. Lack of Approved and Balanced Budget

The statement of comparison of budget and actual amounts reflects total budgeted income and expenditure of Kshs.41,400,000 and Kshs.23,419,036, respectively. However, the amounts were not supported by the approved budget.

Further, the statement reflects the actual expenditure of Kshs.54,676,672, resulting in an over-expenditure of Kshs.31,257,636

Management Response

The Accounting Officer submitted that the budget had been prepared through the normal government budget-making process and the State Department's overall budget. A copy of the approved itemized budget from IFMIS has been attached.

The over-expenditure of Ksh 31,257,636 resulted from an extra assignment from the State Department for Livestock

Committee Observation

The Committee observed that the matter was still pending since the budget provided was for 2020-2021, and the Budget approval for expenditure was not provided

9. Non-Adherence to the Provisions of the Public Procurement Regulations

The procurement plan provided for audit review was not prepared in accordance with the set format and was not approved by the Cabinet Secretary.

Further, there was no evidence that the annual departmental procurement plans were submitted to the Accounting Officer by heads of user departments before the commencement of the financial year.

There was no evidence that the Fund prepared and submitted quarterly reports on implementing the annual procurement plan to the Cabinet Secretary.

Management Response

The Accounting Officer submitted that the Fund procured goods, works and services as per the Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Asset Disposal Regulations, 2020 Provisions, despite the absence of the Consolidated Annual Procurement Plan

Committee Observations

The Committee observed that the matter was not resolved since the procurement plan was not approved by the Accounting Officer.

10. Failure to Appoint Members to the Board of Directors

The entity does not have a duly appointed and functional Board. The Fund, therefore, lacks the governance structure as prescribed in the Exchequer and Audit (Agricultural Information Resource Centre Revolving Fund) Regulations, 1993.

Management Response

The Accounting Officer submitted that the Fund does not have a duly appointed board. However, the process of constituting the board is ongoing.

Committee Observation

The Committee observed that the matter was not resolved since no evidence on the ongoing process of constituting a board was provided.

11. Internal Controls Weaknesses

The Fund did not have an internal audit function to monitor internal control implementation continuously. No evidence was provided to confirm that internal audit activities were performed on the Fund.

Further, during the year under review, the Fund did not have a documented Risk Management Policy and did not perform any risk assessments. In addition, the Fund Management had not established a disaster recovery/business continuity plan.

Management Response

The Accounting Officer submitted that the Fund was using the internal audit function for the State Department. The preparation of a risk management policy and disaster recovery/ business continuity plan preparation was at the stakeholder engagement phase and will be in place by the end of the next financial year.

Committee Observation

The Committee observed that the matter was not resolved.

MIN. NA/AA&SC-SFAC/2023/148:

ADJOURNMENT/DATE OF NEXT MEETING

There being no other business, the meeting was adjourned at 12.50 p.m. The next meeting will be held on notice.

SIGNED.....*Fatuma*.....DATE.....*28/9/2023*.....

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE

**MINUTES OF THE 68TH SITTING OF THE SPECIAL FUND ACCOUNTS COMMITTEE
HELD ON TUESDAY, 28TH NOVEMBER 2023, IN WINDSOR HOTEL, KIAMBUU
ROAD AT 09.00 A.M.**

PRESENT

1. Hon. Fatuma Zainab Mohammed, MP - Chairperson
2. Hon. Charles Ngusya Nguna, MP
3. Hon. Catherine Nakhabi Omanyoo, MP
4. Hon. Erastus Kivasu Nzioka, MP
5. Hon. Tom Mboya Odege, MP
6. Hon. Joseph Kimutai Cherorot, MP
7. Hon. Cecilia Asinyen Ngitit, MP

APOLOGIES

1. Hon. Joshua Odongo Oron, MP
2. Hon. Kahugu Erick Mwangi, MP
3. Hon. Faith Wairimu Gitau, MP
4. Hon. Joseph Majimbo Kalasinga, MP
5. Hon. Dawood Abdul Rahim, HSC, MP - Vice Chairperson
6. Hon. Eve Akinyi Obara, MP
7. Hon. Dr. Christine Ombaka Oduor, MP
8. Hon. Paul Kibichi Biego, MP

IN ATTENDANCE

OFFICE OF THE AUDITOR GENERAL

1. Mr. David Osiemo - Auditor/Parliamentary Liaison Officer
2. Ms. Khadija Aligongo - Deputy Director OAG

THE NATIONAL TREASURY

1. Mr. Simon K. Kiriiba - DAG National Treasury

STATE DEPARTMENT FOR CROP DEVELOPMENT

1. Dr. Paul K. Ronoh - PS Crop Development
2. Mr. Douglas Mutemi - Accountant Crop Development

COMMODITIES FUND

1. Ms. Nancy Cheruiyot - Managing Trustee
2. Ms. Roseline Wambua - Credit Manager
3. Mr. Silas Nyaga - Finance Manager
4. Mr. Geoffrey Kinyua - Accountant

AGRICULTURE FINANCE CORPORATION (AFC)

1. Mr. George Kubai - Managing Director
2. Mr. Cornelius Onsongo - Finance Manager
3. Mr. Bonano Badia - Credit Officer
4. Mr. Boaz Korir - Planning Officer

AGRICULTURE AND FOOD AUTHORITY (AFA)

1. Mr. Johnson Agar - AFA
2. Ms. Jude Chesire - HOD
3. Mr. Daniel Onyango - Deputy Director
4. Mr. Azenath Makori - AD Finance

NATIONAL ASSEMBLY SECRETARIAT

1. Mr. Leonard Machira - Principal Clerk Assistant 1
2. Mr. Silvanus Makau - Clerk Assistant III
3. Ms. Comfort Achieng - Clerk Assistant III
4. Mr. Benard Omondi - Sargent at arm
5. Mr. Peter Mutethia - Audio Officer III
6. Ms. Pauline sifuma - Hansard Reporter
7. Mr. Robert Ng'etich - Fiscal Analyst
8. Ms. Bevaline Mosoti - Research Officer III

MIN. NA/AA&SC-SFAC/2023/032:

PRELIMINARIES

The Chairperson called the meeting to order at 09.35 a.m., followed by a word of prayer and introductions.

The following agenda was adopted as circulated:

1. Prayers
2. Preliminaries/Introductions
3. **Examination of the unresolved matters in the Auditor General's reports on:**
 - i. **Commodities Fund for the FYs 2019/2020 and 2020/2021**
 - ii. **Agricultural Information Resource Centre Revolving Fund for the FY 2021/2022**
4. Any Other Business
5. Adjournment Date of the next meeting.

After that, Dr. Paul K. Ronoh, Principal Secretary State Department for Crop Development, took the witness oath and tabled the Management responses and supporting documents on the audited accounts of the:

- i. Commodities Fund for the FYs 2019/2020 and 2020/2021
- ii. Agricultural Information Resource Centre Revolving Fund for the FY 2021/2022

Commodities Fund for the 2019/2020 & 2020/2021 Financial Years

1. High Rate of Provisioning on Loans and Advances

The statement of financial position reflected long-term receivables from exchange transactions-loans and advances totalling Kshs.217, 264,000. The following observations were made regarding the balance:

The gross loans and advances reflected in the financial statements amounted to Kshs.16,503,648,000 with a total provision of Kshs.15,574,004,000, which translates to 94% of the loans and advances to farmers. Management had not given the basis for the huge provision for the loans.

Submissions by the Accounting Officer

The Managing Trustee submitted that the bulk of the loan book comprises non-performing debts inherited from the defunct Coffee and Sugar Development Funds. These loans continue to accrue interest until they are frozen. In addition, a general provision of 1% is made for new loans that are performing.

The high rate of provisioning of loans and Advances stemmed from a prevalence of unsecured and nonperforming loans, primarily backed by floating debentures. The Accounting Officer also informed the Committee the Board approved the loan provisioning policy in 2016.

Committee Observations

- i. The Auditor notified the Committee that the issue remained unresolved due to the absence of documents regarding the meeting where approval for the loan provisioning policy was granted.
- ii. The committee asked the Auditors to review the submitted documents and guide the committee.

2. Unreconciled Inter-Fund Transaction

The statement of financial position's total loan balance of Kshs.929,643,000 comprised of both current and non-current balances, including a gross balance of Kshs.1,153,280,952 relating to receivables from Agricultural Finance Corporation comprising Kshs.1,101,581,612 and Kshs.51,699,340 for sugar and coffee loans, respectively. However, confirmation of records from AFC reflected that the entity owes the Fund Kshs.9, 515,756 resulting in an un-reconciled balance of Kshs.1, 143,765,196.

Submissions by the Principal Secretary for Crop Development

The Principal Secretary informed the Committee that the management of Commodities Fund Agriculture Finance Corporation (AFC) and the Agriculture and Food Authority and the leadership of the Principal Secretary have since reconciled the sugar and loans coffee loans. Consequently, the amount due from AFC that had not been remitted to the Commodities Fund was established to be Kshs.666, 542,508 as the principal and Kshs.134, 129,351 as the interest

Committee Observations

- i. The Accounting Officer was requested to submit a schedule of the loan payments to the Auditors and the Committee for verification in two weeks.
- ii. The auditor notified the committee that the issue remained unresolved due to the absence of documents related to the reconciliations that had been conducted.

3. Unrecovered Funds Transferred to the Ministry of Agriculture, Livestock and Fisheries

The statement of financial position reflected receivables from non-exchange transactions of Kshs.46, 055,000 which included Kshs.40, 000,000 transferred to the parent Ministry during the financial year 2016/2017. According to memos Ref: MOA/SDA/SC/40A dated 18 January 2017 and Ref: MOALF/CORP/11/23/2 of 9 May, 2017, the Ministry was to reimburse these funds once the National Treasury released its budgeted funds for the year. However, the Ministry failed to reimburse the disbursements to the Fund.

Submissions by the Principal Secretary State Department for Crop Development

The Principal Secretary promised to refund the funds once the National Treasury releases its budgeted funds.

Observations of the Committee

- i. The Committee requested the Principal Secretary to provide a written submission by Friday 1st December 2023, outlining the timeline and procedure for reimbursing the 20 million to commodities Fund.
- ii. The Auditor informed the Committee that the matter was unresolved since the owed amount had not been paid by the Ministry.

AGRICULTURAL INFORMATION RESOURCE CENTRE REVOLVING FUND FOR THE FINANCIAL YEAR 2021/2022.

Failure to Appoint Members to the Board of Directors

Section 2, page (V) of the financial statement listed seven (7) persons including the entity's director as being members of the Board of Directors.

However, a review of records revealed that the entity did not have a duly appointed and functional Board yet they spend Ksh.10,631,520 on Boards, Seminars & Conferences

The Fund therefore lacks the governance structure as prescribed in the Exchequer and Audit (Agricultural Information Resource Centre Revolving Fund) Regulations, 1993.

Submissions by the Principal Secretary State Department for Crop Development

The Principal Secretary submitted that an expenditure of Ksh. 10,631,520 was reported as Boards, Seminars & Conferences in the financial statement for financial year 2021/2022 under Note 8.

He further submitted that the expenditure under general expenses for Boards, Seminars & Conferences related to hire of conference facilities during seminars and conferences facilities for training, seminars, sensitizations, and outreach activities carried out within the year.

Therefore, the Ksh. 10,631,520 does not relate to payment of Board allowances or any other expense directly related to the Board. The statement of Financial Performance For the year ended 30th June 2022, Note.9 (pg. 16) of the Financial Statements separately discloses such Board expenses and clearly indicates that there was a zero expenditure on the same.

**MIN. NA/AA&SC-SFAC/2023/034:
NEXT MEETING**

ADJOURNMENT / DATE OF

There being no other business, the Meeting was adjourned at 12:52 p.m. The next meeting is to be held on notice.

SIGNED.....DATE.....

Fatima Zainab Mohammed
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Chairperson

HON. FATUMA ZAINAB MOHAMMED, MP

(CHAIRPERSON)

SPECIAL FUNDS ACCOUNTS COMMITTEE