REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

DEMONSTRATION FARM FUND KISII

FOR THE YEAR ENDED 30 JUNE, 2022

DEMONSTRATION FARM FUND KISII

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED
JUNE 30, 2022

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

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1. Key Entity Information and Management

a) Background information

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

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

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

Principal Activities

The principal activity is to train farmers on modern farming.

Vision

The Vision of the Agricultural Training Centres is "To be centres of excellence for Agri-business incubation and training of farmers/pastoralist/aquaculturist and other stakeholders".

Mission

The Mission of the Agricultural Training Centres is "To train farmers/pastoralists/aquaculturalists and other stakeholders on relevant agricultural technologies, innovations and skills through teaching, demonstrations, agri-business incubation, provision of training facilities and germplasm on a sustainable basis".

1.4 Objectives

The overall objective of ATCs is to provide quality training services and facilities for enhancing agriculture and development. Specific objectives for ATCs are:

Objectives

The overall objective of ATCs is to provide quality training services and facilities for enhancing agriculture and development.
Specific objectives for ATCs are:

(a) To improve access to agricultural technologies, innovations and Information;
(b) Provide quality training facilities for agricultural development;
(c) Promotion of sustainable land use and conservation of natural Resources;
(d) Promote household food security;
(e) To provide improved germplasm to users
(f) Promote value-addition and utilization of agricultural produce; and
(g) Promote commercialization of agricultural enterprises.

Functions

The following are the core functions of ATCs:

(a) To offer residential and non-residential (including outreach) training on relevant technologies backed with practical demonstrations;

(b) To provide training facilities to farmers and other stakeholders involved in Agriculture and development;
(c) To maintain a model farm for training purposes and for demonstration to Stakeholders in agriculture;
(d) To provide facilities for and participate in carrying out adaptive on-farm as well as national performance trials of relevant technologies;
(e) To serve as bulking centres of plant materials, multiplication of livestock and fingerlings for farmers and conservation of germplasm;
(f) To generate revenue for self-financing of commercial activities;
(g) To provide incubation for viable agri-business to stakeholders and tailor made ATVET hands on skills and knowledge.

Mandate/Scope
Agricultural Training Centres are vital training institutions whose functions include regular short term class training sessions, farm demonstrations and outreach activities in a defined catchment area.

The primary clientele include small scale farmers and pastoralists who form the bulk of the Kenyan farming community.

A key component of a complete ATC mandate is operation of a model farm enterprise in which the skills imparted through training are actualized and provided as evidence to farmers to adapt in their farms.

A recent function of ATCs is to act as bulking and multiplication centres for improved production materials for crop and livestock as well as germplasm conservation.

Further, the ATCs are to promote Agri-business through business incubation for individuals, the youth, women and other groups involved in agricultural enterprises for the locally produced commodities. This entails providing facilities for value addition and capacity building for the Small and Medium Enterprises (SMEs).

a) Registered Offices
P.O. Box 4550
Municipal Building
Kisii-Keroka Road
Nairobi, KENYA

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

c) Fund Bankers
Kenya Commercial Bank
Kisii Branch
P.O. Box 476-40200
Kisii

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

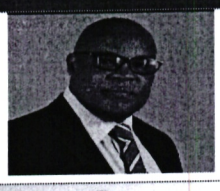
e) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. The Board of Management

PICTURE	Name	Position	Details of qualifications and experience
	Astariko Atika	Chair	Diploma in admiration/CPA/Famer
	Rachael Segita	V/Chair	Diploma business administration/Famer
	Ronald Onduso	Member	MCA/.Diploma environmental Science/Famer
	John Kibagendi	Member	Business/Famer
	Dorcus Nyagacha	Member	O'level/Famer
	Christopher Bichage	Member	Accountant/Famer
	Stanley Ogechi	Member	Teacher/Famer
	Castro Nyaribo	Member	Teacher/Famer (Youth rep)
	Mellen Maake	Member	Famer
	Ezekiel Ondari	Member	Famer (Disability Rep)
	Benson Mutiso Mulei	SecretaryBOM	Principal KATC/BSc Horticulture
	Nathan Soire	Member	Director agriculture/Msc Agric &Extension

	Esman Onsarigo	Ex.Official	CEC.Agriculture,livestock,Fisheries& Cooperative .DEV.
	Mr. Geoffrey Mogire	Ex.official	Chieff officer agriculture

3. Management Team

Ref	Name	Position
1	Mr.Godfrey Mogire 	Chief Officer Agriculture & Cooperative Development
2	Benson Mutiso Mulei 	Principal Kisii ATC
3	Mr.John Nyandanyi 	Deputy Director Finance

4. Board Chairperson's Report

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

Signed: _____

Astariko Otieno Atika

5. Report of the Fund Administrator

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

Signed: _____

Benson Mutiso Mulei

6. Statement of Performance against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for *(Indicate period of the strategic plan)* are to:

a) Provide quality physical infrastructure in the County
b) ……..
c) ……..

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance

7. Corporate Governance Statement

Board of management meetings held;

Date	Members Attendance	In attendance	Key activity
29/9/2021	10	7	Full board meeting
9/12/2021	11	3	Full board meeting
15/3/2022	14	4	Full board meeting
24/6/2022	14	4	Full board meeting

The board of management performs the following roles

- Link the KATC with the community within the county.
- Offer advisory services to enhance KATC management.
- Facilitate acquisition and safeguarding of KATC Properties.
- Encourage stakeholder participation in KATC programs.
- Market KATC products and services to public/local community.
- In Liason with the department, mobilize resources from stakeholders and development partners.
- Review asset and security status of the ATC and make recommendations.

The board is appointed by the Kisii County Executive Committee member in charge of agriculture department for period 3year term renewable once. Farmers are selected from sub counties.

8. Management Discussion and Analysis

During the year the management held quarterly meetings for both board of management and technical management committee.

Key development projections and investment plans were discussed and agreed upon to improve the performance of the institution.

Key among them include: acquisition of title deed, valuation of institution assets and completion of the on-going projects.i.e hostel, farmer's resource canter and modern zero grazing unit .also discussed was accreditation of Kisii ATC as TVET

9. Environmental and Sustainability Reporting

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

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

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

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

10. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

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

Results
The results of the Fund for the year ended June 30, 2022 are set out on page 1

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

Auditors
The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to audit the Demonstration Farm Fund Kisii for the year/period ended June 30, 2022

Chair of the Board

Date: 29/Sep/2022

11. Statement of Management's Responsibilities

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Demonstration Farm Fund Kisii accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

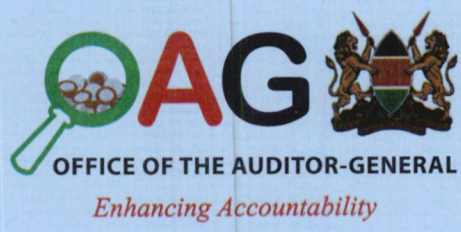
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention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

Approval of the financial statements
The Fund's financial statements were approved by the Board on 29/09/ 2022 and signed on its behalf by:

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON DEMONSTRATION FARM FUND KISII FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Demonstration Farm Fund Kisii set out on pages 18 to 32, which comprise of the statement of financial position as at

30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Demonstration Farm Fund Kisii as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Financial Management Act, 2012.

Basis for Opinion

1.0 Long Outstanding Receivables

The statement of financial position and Note 5 to the financial statements reflects receivables from exchange transactions balance of Kshs.11,402,794. Included in the balance, is an amount of Kshs.4,713,000 which was transferred to the County Executive imprest account and which has been outstanding since 25 July, 2018. Review of records revealed that the County Treasury had prepared a repayment plan committing to fully refund the amount due by March, 2022. However, the amount had not been refunded as at the end of the financial year.

In the circumstances, the recoverability and existence of the current receivable of Kshs.4,713,000 could not be confirmed.

2.0 Land Without Ownership Documents

The statement of financial position and Note 6 to the financial statements reflects property, plant and equipment of Kshs.1,812,954,000. However, Management did not provide for audit review the title deed for the parcel of land valued at Kshs.1,600,000,000. Further, review of records revealed that the part development plan was approved by the Ministry of Lands and Physical Planning on 19 July, 2021. However, the survey work to facilitate alienation and documentation of the site had not been finalized as at 30 June, 2022.

In the circumstances, the ownership of the parcel of land could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.21,773,600 and Kshs.20,818,238 respectively resulting in under funding of Kshs.955,362 (or 4%). Similarly, the Fund expended Kshs.22,344,421 against the approved budget of Kshs.22,511,440 resulting in an under-expenditure of Kshs.167,019 or 1%. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Operation of the Fund

As previously reported, the Fund was established through Legal Notice No 456 dated 19 November, 1990 under Exchequer and Audit Act, 412 (now repealed). The Act has since been replaced by Public Finance Management Act, 2012 and Public Audit Act, 2015. Review of the minutes of the Board dated 15 March, 2022 revealed that Management was issued with a license to convert the Fund into a Technical and Vocational Training Institute. However, Management was yet to covert the Fund into a vocational training institute.

In the circumstances, existence of the Fund was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis of Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 February, 2023

13. Statement of Financial Performance for the Year Ended 30 June 2022

	Note	2021/2022 KShs	2020/2021 KShs
Revenue from farm and training activities			
Revenue from farm and training	1A	26,303,188	11,279,360
Total revenue		**26,303,188**	**11,279,360**
Expenses			
Transfer to county account	2	2,000,145	1,780,681
General expenses	3	20,344,276	11,205,488
Total expenses		**22,344,421**	**12,986,169**
Surplus/(deficit)for the period		**3,958,767**	**(1,706,809)**

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

14. Statement of Financial Position as at 30 June 2022

	Note	2021/2022 Kshs	2020/2021 Kshs.
Assets			
Current assets			
Cash and cash equivalents	4	777,305	2,303,488
Current portion of long term receivables from exchange transactions	5	11,402,794	6,295,150
		12,180,099	**8,598,638**
Non-current assets			
Property, plant and equipment	6	1,812,954,000	1,815,039,000
Biological Assets	7	4,622,000	5,107,000
		1,817,576,000	**1,820,146,000**
Total assets		**1,829,756,099**	**1,828,744,638**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	8	-	377,306
Total liabilities		-	**377,306**
Net Assets			**1,828,367,332**
Capital Reserves		6,763,409	**6,763,409**
Revaluation Reserve		1,817,576,000	1,820,146,000
Accumulated Surplus		5,416,690	1,457,923
Total Net Assets and Liabilities		**1,829,756,099**	**1,828,367,332**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on __29th Sept__2022 and signed by:

Administrator of the Fund
Name: Benson Mutiso Mulei

Fund Accountant
Name: John Nyandanyi
ICPAK Member Number:13733

15. Statement of Changes in Net Assets for the Year Ended 30 June 2022

	Capital reserve	Revaluation Reserve	Accumulated Surplus/Deficit	Total
	Kshs.	**Kshs**	**Kshs**	**Kshs**
Balance as at 1 July 2020	6,763,409	-	3,164,732	9,928,141
Deficit for the Period		-	(1,706,809)	(1,706,809)
Revaluation Gain		1,820,146,000		1,820,146,000
Balance as at 30 June 2021	**6,763,409**	**1,820,146,000**	**1,457,923**	**1,828,367,332**
Balance as at 1 July 2021	**6,763,409**	**1,820,146,000**	**1,457,923**	**1,828,367,332**
Surplus for the Period			**3,958,767**	**3,958,767**
Revaluation Loss		(2,570,000)		**(2,570,000)**
Balance as at 30 June 2022	**6,763,409**	**1,817,576,000**	5,416,690	**1,829,756,099**

16. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021/2022 Kshs	2020/2021 Kshs
Cash flows from operating activities			
Receipts from Farm and Training activities	1B	20,818,237	11,279,360
Total Receipts		**20,818,237**	**11,279,360**
Payments			
Transfer to County account	2	2,000,145	1,780,681
General expenses	3	20,344,276	11,205,488
Total Payments		**22,344,421**	**12,986,169**
Net cash flows from operating activities		**(1,526,184)**	**(1,706,809)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**(1,526,183)**	**(1,706,809)**
Cash and Cash Equivalents at 1 July 2021		2,303,488	**4,010,297**
Cash and Cash Equivalents at 30 June 2022	4	**777,305**	**2,303,488**

17. Statement of Comparison of Budget and Actual Amounts for the Period Ended 30 June 2022

	Proposed Original budget 2021/2022	Adjustments 2021/22	Final budget 2021/2022	Actual on comparable basis 2021/2022	Performance difference 2021/2022	% Utilization
Revenue	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	
Income from Farm Produce and Training	21,773,600	-	21,773,600	20,818,238	(955362)	96%
Total income	21,773,600		21,773,600	20,818,238	(955,362)	96.4%
Expenses						
Fund administration expenses						
General expenses	20,511,440		20,511,440	20,344,276	167,164	99.2%
Transfers to County Account	2,000,000	-	2,000,000	2,000,145	(145)	100%
Total expenditure	**22,511,440**		**22,511,440**	**22,344,421**	**167,019**	**100%**

Foot Notes*

1: The management budget is based on projections at the beginning of financial year. The projection maybe under or over achieved depending on clients demand However in case of over achievement the expenditure will be higher than the planned budget and the revenue will be equally hire and vice versa.

2*: The general expenses includes both the hospitality and farm operation costs, VAT, fund administration costs and bank charges.

18. Notes to the Financial Statements

1. General Information

Demonstration Farm Fund Kisii entity is established by and derives its authority and accountability from xxx Act. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is xxx.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact:
	• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022.

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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

ii) Revenue from exchange transactions

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

b) Budget information

The original budget for FY 2021/2022 was approved by the County Assembly on 29th June, 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them

accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

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

e) Nature and purpose of reserves

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

f) Changes in accounting policies and estimates

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

g) Borrowing costs

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

h) Related parties

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

i) Cash and cash equivalents

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

j) Comparative figures

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

change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Notes to the Financial Statements

1. A. Income from Farm and training activities

Description	2021/2022 Ksh	2020/2021 Ksh
Income from sale of tender documents	4,000	5,500
Income from disposal of animals and bull calves	828,800	182,000
Income from farm produce(Milk and crops)	1,093,280	1,505,800

Income from training activities	18,892,158	9,586,060
Accrued income for the year- See note 5	3,902,800	-
Adjusted for Accrued income for 2020/2021 not recognized -See note 5	1,582,150	-
Total income	**26,303,188**	**11,279,360**

Note: Accruals basis of accounting recognizes both cash and credit incomes

1B: Income from Farm and training activities

Description	2021/2022 Kshs	2020/2021 Kshs
Balance as the statement of Financial Performance	26,303,188	
Less:-		
Accrued Income at the End of the Year	(3,902,800)	
Accrued Incomes Omitted in the Prior Year FS	(1,582,150)	
Total income	**20,818,237**	

2. Transfer to County Account

Description	2021/2022 Kshs	2020/2021 Kshs
Transfer to County Account	2,000,145	1,780,681
Total	**2,000,145**	**1,780,681**

3. General expenses

Description	2021/2022 Kshs	2020/2021 Kshs
Farm operations and hospitality	13,974,873	11,193,187
Fund administration costs	6,357,190	
Bank Charges	12,213	12,301
Total	**20,344,276**	**11,205,488**

4. Cash and cash equivalents

Description	2021/2022 Kshs	2020/2021 Kshs
Current account	777,305	2,303,488

Total cash and cash equivalents	**777,305**	2,303,488

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

Financial institution	Account number	2021/2022 Kshs	2020/2021 Kshs
a) Current account			
Kenya Commercial bank	1106481267	777,305	2,303488
Grand total		**777,305**	2,303,488

5. Receivables from exchange transactions

Description	2021/2022 Kshs	2020/2021 Kshs
Current Receivables		
Transfer to county imprest account	4,713,000	4,713,000
Other exchange debtors	6,689,794	1,582,150
Total receivables from exchange transactions	11,402,794	**6,295,150**

6. Property, plant and equipment

Cost	Land Kshs"000"	Buildings, Fittings, Furniture & Site Works Kshs"000"	Motor vehicles Kshs"000"	Kitchen Ware/Beddings and linen Kshs"000"	Computers and office equipment Kshs"000"	Total Kshs"000"
At 1st July 2020	**1,600,000**	**206,255**	**5,235**	**774**	**2,775**	**1,815,039**
Additions	-	-	-	-	-	-
Revaluation	-					
Depreciation	-	-				
At 30th June 2021	**1,600,000,**	**206,255**	**5,235**	**774**	**2,775**	**1,815,039**
At 1st July 2021	**1,600,000,**	**206,255**	**5,235**	**774**	**2,775**	**1,815,039**
Additions	-	-	-	-	-	-
Revaluation	-		(1,075)		(1,010)	**(2,085)**
Depreciation	-	-		-		
At 30th June 2022	**1,600,000**	**206,255**	**4,160**	**774**	**1,765**	**1,812,954**

Note: Buildings Comprise of Buildings and fittings, Site works and other infrastructure, Furniture and beddings. However, Kshs 8,635,000 for furniture at resource centre was excluded from the above computation since it has been accounted by the county executive.

7. Biological Assets

Cost	Biological Assets Kshs	Total Kshs
At 1st July 2020	-	-
Additions		
Disposals		
Revaluation	5,107,000	5,107,000
At 30th June 2021	**5,107,000**	**5,107,000**
At 1st July 2021	**5,107,000**	**5,107,000**
Additions	82,000	82,000
Disposals	(828,800)	(828,800)
Revaluation	261,800	**261,800**
At 30th June 2022	**4,622,000**	**4,622,000**

8. Trade and other payables from exchange transactions

Description	2021/2022 Kshs	2020/2021 Kshs
Trade payables	-	377,306
Total trade and other payables	-	-

9. Related party balances

a) Nature of related party relationships

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

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

b) Due from related parties

	2021/2022 Kshs	2020/2021 Kshs
Due from County Government	4,713,000	4,713,000
Total	**4,713,000**	**4,713,000**

19. Progress on Follow up Of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue *(Name and designation)*	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
1 **SNY/KISIIDEM F/2020/2021(14)**	Long Outstanding Receivables.	Full recovery of the funds.	1.John Nyandani Deputy Chief Accounting Officer 2.Moses Onderi CEC Finance Kisii County	Not Resolved	
2	Budget Control and Performance	Improvement subsequent year	Evans Kiage Assistant Director Accounting Kisii county	Resolved	
3	Unresolved Prior Year Matters				
4	Irregular Operation of the Fund				