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THE AUDITOR-GENERAL

TABLED

Hon. Naomi Wanjau, M.P.

Deputy Majority Whip

CLERK-AT
THE-TABLE:

Christine Ndlovu

ON

**KENYA CEREAL ENHANCEMENT
PROGRAMME - CLIMATE RESILIENT
AGRICULTURAL LIVELIHOOD WINDOW
(EU GRANT NO.2000000623,
GRANT NO.2000001522, GRANT NO.2000003493,
GRANT NO.2000001122 AND
IFAD LOAN NO.2000001121)**

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

**STATE DEPARTMENT FOR CROP
DEVELOPMENT AND
AGRICULTURAL RESEARCH**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

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**PROJECT NAME: KENYA CEREAL ENHANCEMENT PROGRAMME-CLIMATE
RESILIENT AGRICULTURAL LIVELIHOOD WINDOW (KCEP-CRAL)**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE, LIVESTOCK,
FISHERIES AND COOPERATIVES
STATE DEPARTMENT FOR CROPS DEVELOPMENT AND AGRICULTURE
RESEARCH**

**PROJECT GRANT/CREDIT NUMBER: 2000000623, 2000001522, 2000003493 and
2000001122 and LOAN NUMBER: 2000001121**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

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1. Project Information and Overall Performance

1.1 Name and registered office

Name

The project's official name is Kenya Cereal Enhancement Programme-Climate Resilient Agricultural Livelihood Window (KCEP-CRAL).

Objective

The overall development objective of the Programme is to contribute to the reduction of rural poverty and food insecurity of smallholder farmers in the ASALs by developing the economic potential of target groups, improving natural resources management capacity and building resilience to climate change in an increasingly fragile ecosystem.

Address

The programme headquarter offices are in Nairobi, Nairobi County, Kenya.

Physical Address: KALRO NARL Compound-Waiyaki Way

The project also has offices/branches as follows:

- Western Region–Nakuru, email: kcepsubpcu.western@gmail.com
Physical Location-Nakuru Njoro Inter-change
- Eastern Region –Siakago, email: kcepeasternregion@gmail.com
Physical Location-Siakago Sub County Headquarters
- Coast Region-Mtwapa, email: kcepcoastregion@gmail.com
Physical Location-KALRO Mtwapa Compound

Contacts: The following are the project contacts

Postal Address: P.O. Box 30028-00100, Nairobi, Kenya

Other Contacts:

E-mail: kcep.programme15@gmail.com

Telephone: 0770174188

Project information and overall performance (continued)

1.2 Project Information

Project Start Date:	The project start date is 3 rd April 2014
Project End Date:	The project end date is 31 st March 2023
Project Manager:	The Senior Programme Coordinator is Dr. Cosmas Munyeke, PhD
Project Sponsor:	The project sponsor is GOK-Kes. 454 Million European Union (EU) Grant-Kes. 3.8 Billion IFAD Loan-Kes. 6.2 Billion ASAP Grant-Kes. 1 Billion Financial Institutions-Kes. 546 Million Beneficiaries-Kes. 3.6 Billion

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Agriculture, Livestock ,Fisheries and Cooperatives-State Department for Crops Development and Agriculture Research
Project number	EU Grant No. 2000000623, 2000001522 and 2000003493, IFAD Loan No. 2000001121 and ASAP Grant No. 2000001122
Strategic goals of the project	The strategic goals of the project is to increase incomes and reduce poverty among rural households including those in arid and semi-arid lands-ASALs.
Achievement of strategic goals	The programme management aims to achieve the goals through the following means: (i) Contributing to national food security by increasing production of cereal staples (maize, sorghum, millet, and associated pulses); (ii) Increasing income of smallholders in medium and high potential production areas as well as those in ASALs of targeted crops; (iii) Supporting smallholder farmers in graduating from subsistence to commercially oriented, resilient agricultural practices through improvements in productivity, post-production management practices and market linkages for targeted value chains and

	<p>(iv) Empowering county governments and communities to sustainably and consensually manage their natural resources and build resilience to climate change.</p>
<p>Other important background information of the project</p>	<p>KCEP-CRAL Programme is funded under a strategic public-private-partnership between the Government of Kenya (GOK), European Union (EU), International Fund for Agricultural Development (IFAD), local Financial Institutions and beneficiaries. The Programme aims at increasing productivity of three staple cereals, maize, sorghum, millet and their associated pulses using a value chain approach.</p> <p>The programme area covers 13 counties; five Western region- Bungoma, Kakamega, Nakuru, Nandi and Trans Nzoia, Five in Eastern region- Embu, Kitui, Tharaka-Nithi, Machakos and Makueni and three in Coast region-Kwale, Kilifi and Taita Taveta.</p> <p>The programme is structured around four components:</p> <p>Component 1 Capacity building for Climate-resilient productivity and Natural Resource Management (NRM). Through an e-voucher platform giving smallholder farmers access to improved agricultural inputs and technical packages, the programme will support the farmers engaged in targeted value chains to enhance productivity in view of commercialisation.</p> <p>Component 2 - Post-Harvest Management and Market Linkages aims at supporting farmers to capitalise productivity gains arising from investments made under Component 1, by promoting improved on-farm grain-handling and management, access to storage and warehouse receipt systems, increasing smallholders' access to markets, and building their capacities to sell their produce at more favourable terms and prices.</p> <p>Component 3 – Financial Services is designed to link farmers to financial services to boost yields and income generation for re-investment in agriculture, and build the capacity of value chain stakeholders, including the youth, to engage profitably in provision of agricultural services through improved access to financial services.</p>

	<p>Component 4: Programme Management - Programme Steering Committee (PSC), chaired by the Principle Secretary of the State Department of Crops Development and Agriculture Research is responsible for oversight of the programme and providing policy guidance to programme implementation. A County Programme Coordinating Committee (CPCC) provides guidance to programme implementation within each county. Programme Coordinating Unit (PCU) is responsible for day-to-day management of the programme.</p> <p>Implementing arrangements KCEP-CRAL Programme Implementation is done by the National Government and County Governments in collaboration with implementing partners. The implementing partners include; Equity Bank and Equity Group Foundation and Co-operative bank responsible for setting up and operationalization of the e-voucher system for provision of agricultural inputs and payment of agro-dealers, setting up warehouse receipt financing and capacity building on financial literacy; Kenya Agricultural and Livestock Research Organization (KALRO) responsible for ; soil sampling and soil fertility mapping and dissemination of research-based technical packages; Agricultural Market Development Trust (AGMARK) responsible for capacity building of agro-dealers; Centre for Training and Integrated Research in ASAL Development (CETRAD) responsible of setting up RS/GIS units in target counties, training and backstopping of the county personnel on using the RS/GIS units; National Drought Management Authority (NDMA) responsible for strengthening the CAF process counties covered by KCEP-CRAL and Kenya Meteorological Department (KMD) responsible for developing applied climate information services to support communities across target counties to deliver both data and agronomic recommendations to make more informed decisions and enhance their coping and adaptive capacities.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Improve food security of small holder famers (ii) Reduction of rural poverty
<p>Project duration</p>	<p>The Programme started on 3rd April 2014 and is expected to run until 31st March 2023</p>

Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

1.4.1 Programme Designated Special Bank Accounts in Central Bank of Kenya

KCEP Grant Account No.....	1000213485
KCEP-CRAL IFAD Loan Account No.....	1000310316
KCEP-CRAL ASAP Grant Account No.....	1000310324

1.4.2 Programme Operational Bank Accounts

KCEP-NRB Equity Bank -Mayfair branch Account No.....	1510263657085
KCEP-Nakuru Equity Bank-Nakuru branch Account No.....	1510264926255
KCEP-Embu Equity Bank-Embu branch Account No.....	1510265062080
KCEP-Kilifi Equity Bank-Mtwapa branch Account No.....	1510279192355
KCEP-CRAL Loan-NRB Co-operative Bank-Westland branch Account No.....	01141587177900
KCEP-CRAL Grant-NRB Co-operative Bank-Westland branch Account No....	01141587177901
KCEP-CRAL Loan-Mombasa Co-operative Bank-Mtwapa branch Account No...	01141587177902
KCEP-CRAL Grant-Mombasa Co-operative Bank-Mtwapa branch Account No...	01141587177903
KCEP-CRAL Loan-Embu Co-operative Bank-Siakago branch Account No.....	01141587177904
KCEP-CRAL Grant-NRB Co-operative Bank-Siakago branch Account No.....	01141587177905
KCEP-CRAL Grant-NRB Co-operative Bank-Nakuru branch Account No.....	01141587177906
KCEP-CRAL Loan-Kilifi Co-operative Bank-Kilifi branch Account No.....	01141779197400
KCEP-CRAL Loan-Taita-Taveta Co-operative Bank-Voi branch Account No...	01141222797000
KCEP-CRAL Loan-Kwale Co-operative Bank-Kwale branch Account No.....	01141566540500
KCEP-CRAL Loan-Kitui Co-operative Bank-Kitui branch Account No.....	01141302244400
KCEP-CRAL Loan-Embu Co-operative Bank-Embu branch Account No.....	0114173092800
KCEP-CRAL Loan-Tharaka Nithi Co-operative Bank-Chuka branch Account No.....	01141572005000
KCEP-CRAL Loan-Makueni Co-operative Bank-Makueni branch Account N...	01141540780500
KCEP-CRAL Loan-Machakos Co-operative Bank-Machakos branch Account No.	01141748922300

1.5 Auditors

The programme is audited by the Office of the Auditor General.

1.6 Roles and Responsibilities

The key programme staff working on the project are as tabulated below;

S/No	Names	Title designation	Key qualification	Responsibilities
1	Dr Cosmas Munyeke, PhD	Senior Programme Coordinator	PhD, Entrepreneurship, MSC, Entrepreneurship, BSC, Agricultural Economics	Programme Coordination
2	Maryanne Waruga	Programme Coordinator	MSc Entrepreneurship BSC, Agricultural Economics	Programme Coordination
3	Nyakundi Mogere	Finance & Admin Manager	MBA Finance, BCom, CPA(K)	Finance & Admin activities
4	Patrick Musalia	Senior Accountant	MSC-Finance, Bcom, CPA(K)	Accounting & finance management
5	Caroline Njue	Procurement Officer	BA-Procurement	Procurement Services
6	Pamella Kimkung	Community mobilizer/Gender	MA-Sustainable International Development	Training and gender
7	Kiprotich Chomboi	ValueChain Development Specialist	MSc Agricultural Economics	Value chain development activities
8	Justine Muriuki	Natural Resource Management specialist	Master in Environmental Science	Natural resource management
9	Dr. Alex W. Mwaniki	Senior M&E specialist	PhD, Statistics, MSC(Biometry)	Monitoring & Evaluation activities
10	Zaweria Thuku	Financial services specialist	MSc Horticulture/Diploma in Micro-Finance	Finance inclusion services activities
11	Raymond Chelule	PM&E specialist	MSc Agronomy	Monitoring & Evaluation activities
12	David Sitei	Civil Engineer	BSC Engineering	Civil works
13	Patrick Hinga	Agribusiness officer	MSc Agric. Economics	Agribusiness activities and Regional Head
14	Carol Kamau	Agribusiness specialist	MSc-Sustainable Development	Agribusiness activities and Regional Head
15	Gibson Muriithi	Accountant	MBA, BCOM, CPA(K)	Accounting services

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16	Daniel Njenga	M&E specialist	MSc Agronomy	Monitoring & Evaluation activities
17	Esther Nzomo	Agribusiness officer	MSc Agricultural Economics	Agribusiness activities and Regional Head
18	Boniface Kimondo Ngeru	M&E Specialist	BSC Agribusiness Management & Trade	Monitoring & Evaluation activities
19	Rufus Maina	Accountant	CPA(K),BA	Accounting services
20	Bildad Karuma Mghendi	Accountant	CPA(K),BCOM, Finance, MBA Finance	Accounting services
21	Kenneth Chirchir	Accounts Assistant	CPA(K),BCOM,Accounting	Accounting services
22	Martha Wamedi	Fin. Assistant	BA	Accounting services
23	Bramuel Songa	PRA	MBA	Admin. services
24	Dorcus Kyalo	PRA	MBA	Administrative services
25	Lucy C. Waigumo Irungu	PRA	BA, Arts & Social Sciences	Administrative services

1.7 Funding summary

The Project is for duration of Eight years from 2015 to 2023 with an approved budget of approximately Kshs 11.2 Billion as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date - (30 June 2022)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
(i) Grant	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
EU Grants (2000000623, 2000001522,20000003493)	Euro. 28,710,818	3,531,430,000	Euro. 25,413,655	3,062,577,181	Euro. 3,297,163	468,852,819
ASAP Grant (2000001122)	US\$. 10,000,000	1,000,000,000	US\$. 4,233,096	444,057,200	US\$. 5,766,904	555,942,800
(ii) Loan						
IFAD Loan (2000001121)	US\$. 61,776,000	6,177,500,000	US\$. 32,049,926	3,392,634,455	US\$. 2,972,074.38	2,784,865,545
(iii) Counterpart funds						
Government of Kenya	US\$. 4,544,000	454,400,000	2,975,000	297,943,219	1,569,000	156,456,781
Total		11,163,330,000		7,197,212,055		3,966,117,945

N/B

Government of Kenya contribution includes Kshs. 297,500,000 as cash counterpart financing and Kshs. 443,218 which was miscellaneous receipts from sale of tender documents.

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date – (30 th June 2022)	Unutilised balance to date (30th June 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
EU Grants	Euro. 25,413,655	3,062,577,181	3,010,727,639	398,843	51,849,542
ASAP Grants	US\$. 4,233,096	444,057,200	437,869,186	51,567	6,188,014
(i) Loan					
IFAD Loan	US\$. 32,049,925.62	3,392,634,455	3,363,199,205	245,294	29,435,250
(ii) Counterpart funds					
Government of Kenya		297,943,219	297,943,219	0	0
Total		7,197,212,055	7,109,739,249	695,704	87,472,806

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

- i) Programme Budget for the current year was Kshs. 2,234,000,000 while the actual expenditure attained was Kshs. 1,591,321,320 implying 71% budget absorption. Cumulatively, the Programme has spent Kshs. 7,109,739,249 out of the expected cash funding of Kshs. 11,163,330,000 translating to 64% absorption,
- ii) The main activities and achievements attained during the period include;
 - Additional 25,083 smallholder farmers were on-boarded onto the 'e-Voucher' scheme and accessed inputs This resulted to a cumulative achievement of 141,936 farmers accessing inputs at various level of supports, representing 101% of an appraisal target of 140,000,
 - Additional 16,115 farmers were trained in Financial Literacy during the year. Cumulatively 95,860 farmers have been trained
 - Additional 33,273 smallholder farmers have been trained on marketing; cumulatively a total of 156,370 out of an appraisal target of 150,000 have been trained,
 - Cumulatively, the Programme has trained a total of 319 extension Service Providers against an appraisal target of 250,
 - During the review period, a total of 38 road spots linking 13 aggregation stores were identified and improvement.
- A total of 11 new warehouses are under construction and 18 have been refurbished by the Programme.
- iii) While conducting the above activities, the management endeavoured to adhere to the approved budget ceiling per activity. Efficiency in resource utilization was emphasized.
- The budget absorption trend over the implementation period is as follows;
 - Financial Year 2014/2015.....27%,
 - Financial Year 2015/2016.....41%,
 - Financial Year 2016/2017.....66%,
 - Financial Year 2017/2018.....62%,
 - Financial Year 2018/2019.....76%,
 - Financial Year 2019/2020.....56%,
 - Financial Year 2020/2021.....81% and
 - Financial year 2021/2022.....71%
- The main challenge experienced during project implementation were;
 - Delay/failure by farmers in depositing the beneficiary contribution to the Programme leading to delay /failure in accessing the inputs,

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- Covid 19 pandemic which affected implementation of most of the activities.
- Delay in conclusion of legislation and set-up of framework for county climate change fund as pre-requisite for procurement and investment in community resilient assets,
- Lengthy process of identifying warehouses to be renovated and procuring contractors.
- Competition from other projects issuing free inputs to farmers within the implementation region,
- Few and aging staff at the county level affecting extension services

1.9 Summary of Project Compliance:

Financial management including Procurement, Accounting, auditing and reporting was done in compliance with the Government and donor guidelines. During the year, there were no cases of non-compliance with applicable laws and regulations and essential external financing agreements.

2. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (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 National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity’s performance against predetermined objectives.

The key development objectives of the project’s agreement/ plan are to:

- a) To contribute to national food security by increasing production of staples (maize, sorghum, millet, and associated pulses),
- b) Increase income of the targeted smallholders in high, medium potential production areas as well as those in ASALs,
- c) Support smallholder farmers to graduate from subsistence to commercially oriented and climate resilient agricultural practices through improvements in productivity, post-harvest management practices and market linkages for targeted value chains and
- d) Empower county governments and communities to sustainably and consensually manage their natural resources and build resilience to climate change

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives.

Project	Objective	Outcome	Indicator	Performance
KCEP-CRAL	a) To contribute to national food security by increasing production of staples (maize, sorghum, millet, and associated pulses),	Increased Productivity of the promoted Value Chains	% increase in the promoted value Chains (Maize, beans, sorghum, green gram and Cowpeas	In FY 21/22 the Yield of Maize and beans increased by 45% and 36%, respectively from the baseline.

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	b)	Reduction of the Nation Grain Deficit by 41,000MT	Reduce the National Grain Deficit by adding 41,000 MT of the supported value chains	35,632 MT added volume of grain over during 2021/2022 FY; However, the cumulative added MT is 58,082 MT.	
	a)	increase income of the targeted smallholders in high, medium potential production areas as well as those in ASALs,	% increase of the smallholder farmers reporting yield increase	% Increase in income	35% of the smallholder farmers have reported increase in come over the last FY.
	b)	Graduation of Smallholders into Commercial oriented Agriculture; enhanced agricultural resilience and	support smallholder farmers to graduate from subsistence to commercially oriented and climate resilient agricultural practices	% of smallholder farmers reporting graduation from subsistence agriculture and enhanced resilience	59% smallholder farmers have reported having graduated to commercial farming and enhanced resilience over last FY. 2021/2022.

3. Environmental and Sustainability reporting

KCEP-CRAL Programme exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The Programme has throughout the implementation period entrenched the following key aspects of sustainability;

- The adoption of e-voucher scheme by the Government through support from the Programme and roll out through the National Value Chain Support Programme under the Ministry will ensure that the farmers continue to receive and access the e-voucher services under various Value Chains;
- The capacity build and support given to the Counties through introduction of the e-voucher model is expected to continue after the Programme completion. This includes the trainings and infrastructural support provided by the Programme which will outlive the Programme live;
- Formation of farmer, training, mentorship and linking them to various service providers will ensure their support beyond the Programme period;
- The engagement of farmers through public and private extension providers and adoption of the use of lead farmers on farmer trainings (CA/GAP/NRM, Organization Development, Post-harvest Management and Financial literacy trainings) will ensure that the knowledge passed are operational and easily accessible after the Programme completion;
- Formation and /or strengthening of Conservation Agriculture Service Providers Association (CASPs), established linkages of CASPS with Equipment suppliers and linkages with financial institutions who have developed financial products to support equipment acquisition by the service providers will further sustain the momentum beyond the Programme;
- Formation of agro-dealers associations and their improved capacity to provide Agricultural advisory services to farmers (Some Agro dealers participating in the e-voucher scheme have databases and contacts of farmers that they have served under

the e-voucher scheme); and established linkages with financial institutions to access business loans;

- Farmers linkages to the financial institutions will enable them to access financial products and services including credit, savings, bills / utilities payment (including school fees), receive payment for sold produce, etc. will be sustained beyond the Programme;
- Improved awareness on the need to adopt a basket of formal and informal options for financial resource mobilization and how they work e.g. ROSCAs, ASCAs, VSLAs, etc. will continue to deepen the financial inclusion of the Programme beneficiaries beyond the Programme intervention period;
- Roll-out of climate information services incorporated with local indigenous knowledge through local voluntary observers imply services will easily be accessible beyond the Programme. Investment in Common Community Assets/investments through community Participatory vulnerability assessment approach has brought together joint learning and execution of common interest in the communities solidifying the social fabric in the community.

2. Environmental performance

The Programme has a whole component under ASAP Grant financing dealing with Natural Resource management where the donor has provided financing amounting to US\$. 10 million to be invested in community assets which assist farmers to develop and strengthen resilient against climate change. Moreover, the Programme is very sensitive to use of chemicals and prohibits use of chemicals which are likely to have negative impact to the environment.

Adoption of integrated pest management (use of Brachiaria grass, panicum grass, desmodium legume have been embraced as livestock feed, and success of dolichos pushing pest away from maize or sorghum which is a rich legume in protein enhanced uptake) will minimize contamination of water sources from disposals chemicals waste

3. Employee welfare

The Programme has a comprehensive medical cover for staff and nuclear family which ensures that programme employees get the best medical attention when required.

Moreover, the Programme has a Group Personal Accident Cover which guarantees compensation to the staff in case they are injured while executing their duties.

The Programme uses the Public service appraisal system where staff and their supervisors set targets to be achieved within the year at the beginning of the financial year. At the end of the period, they are appraised to assess their performance and this determines the renewal/extension of their employment contracts with the Programme.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The Programme strictly ensures that only goods/services which are in the approved Annual Work plan and Budget and procurement Plan are procured. The Programme also ensures that once the goods have been delivered/services rendered and accepted by the Inspection and acceptance committee, the suppliers are paid promptly. Currently the programme has no pending bills for supplier's payments.

b) Responsible ethical practices

Recruitment of beneficiaries to join the programme is done in a transparent manner through Programme County Committees. The recruitment committees must ensure that at least 50% of beneficiaries are women and youth to promote gender equity. Procurement is carried out in accordance with the financing agreement, IFAD project procurement guidelines and GoK procurement regulations.

c) Regulatory impact assessment

The Programme is implemented through partnership arrangements by both public and private stakeholders. This is done through binding Subsidiary Agreements and MoU's.

5. Community Engagements

The Programme was designed with the objective of increasing food production through use of the correct farm technologies reducing poverty and enhancing resilience of farmers in the ASAL areas. The Programme does not involve in community engagements including charitable giving (cash & material), Community Social Investment and Community Social responsibility (CSR) activities.

4. Statement of Project Management responsibilities

The Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture Research and the Senior Programme Coordinator for KCEP-CRAL Programme are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture research and the Senior Programme Coordinator for KCEP-CRAL Programme accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture research and the Senior Programme Coordinator for KCEP-CRAL Programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture research and the Senior Programme Coordinator for KCEP-CRAL Programme further confirm the

completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

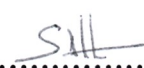
The Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture research and the Senior Programme Coordinator for KCEP-CRAL Programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development & Agriculture research and the Senior Programme Coordinator for KCEP-CRAL Programme on 30th September 2022 and signed by them. *


.....
Dr. F. O. Owino, PhD, CBS
Principal Secretary


.....
Dr. Cosmos Munyeke, PhD
Senior Programme Coordinator


.....
Nyakundi Mogere
Finance & Admin Manager
ICPAK Member No:2665

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NAIROBI

REPORT OF THE AUDITOR GENERAL ON KENYA CEREAL ENHANCEMENT PROGRAMME - CLIMATE RESILIENT AGRICULTURAL LIVELIHOOD WINDOW (EU GRANT NO.2000000623, GRANT NO.2000001522, GRANT NO.2000003493, GRANT NO.2000001122 AND IFAD LOAN NO.2000001121) FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

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 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihood Window (KCEP-CRAL) set out on pages 1 to 36, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the of Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihood Window (KCEP-CRAL) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement signed on 19 March, 2014 between the Republic of Kenya and the International Fund for Agricultural Development, and additional financing agreements dated 25 August, 2015 and 15 April, 2016 and the and Public Finance Management Act, 2012.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihood Window (KCEP-CRAL) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

Report of the Auditor General on Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihood Window (EU Grant No.2000000623, Grant No.2000001522, Grant No.2000003493, Grant No.2000001122 and IFAD Loan No.2000001121) for the year ended 30 June, 2022 - State Department for Crop Development and Agricultural Research

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Compliance with the One-Third of Basic Salary Rule

Analysis of the staff payroll summaries revealed that for the twelve (12) months in the year under review, five (5) members of staff were paid net salaries that fell below a third of their basic salary. This is contrary to Section 19(e) of the Employment Act, 2007 which states that, “without prejudice to any right of recovery of any debt due and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of sub-section (1) may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as maybe prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employee or any trade or industry”.

In the circumstances, the Management was in breach of the law and this may expose the staff to pecuniary embarrassment.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Fund for Agricultural Development (IFAD) and the financing agreement, I report based on the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, adequate accounting records have been kept by the Programme, so far as appears from the examination of those records; and,
- (iii) The Programme's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Programme or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Programme'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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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


28 November, 2022


Kenya Cereal Enhancement Programme - Climate Resilient Agriculture Livelihoods (KCEP-CRAL)
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6. Statement of Receipts and Payments for the year ended 30th June 2022.

Note	2021-2022		2020-2021		Total	Payments made by third parties	Receipts and payment controlled by the entity	Total	Payments made by third parties	Total	Cumulative to-date (From inception)
	Kshs.	Kshs.	Kshs.	Kshs.							
Receipts											
Transfer from Government entities	67,000,000	0	67,000,000	10,000,000	0	0	10,000,000	0	10,000,000	297,500,000	
Proceeds from domestic and foreign grants	842,236,157	0	842,236,157	590,981,560	0	0	590,981,560	0	590,981,560	3,506,634,381	
Loan from external development partners	340,091,732	295,525,217	635,616,949	786,656,231	345,000,000	345,000,000	1,131,656,231	0	1,131,656,231	3,392,634,456	
Miscellaneous receipts	0	0	0	0	0	0	0	0	0	443,218	
Total receipts	1,249,327,889	295,525,217	1,544,853,106	1,387,637,791	345,000,000	345,000,000	1,732,637,791	345,000,000	1,732,637,791	7,197,212,055	
Payments											
Compensation to employees	112,899,294	0	112,899,294	106,768,300	0	0	106,768,300	0	106,768,300	685,856,235	
Purchase of goods and services	586,841,099	0	586,841,099	368,117,560	0	0	368,117,560	0	368,117,560	1,658,950,272	
Social security benefits	34,740,124	0	34,740,124	29,595,654	0	0	29,595,654	0	29,595,654	188,564,379	
Acquisition of non-financial assets	202,367,870	0	202,367,870	150,734,082	0	0	150,734,082	0	150,734,082	460,148,296	
Other grants and transfers /payments	358,947,716	295,525,217	654,472,933	769,328,540	345,000,000	345,000,000	1,114,328,540	345,000,000	1,114,328,540	4,116,220,067	
Total payments	1,295,796,103	295,525,217	1,591,321,320	1,424,544,136	345,000,000	345,000,000	1,769,544,136	345,000,000	1,769,544,136	7,109,739,249	
Surplus/ (deficit)	(46,468,214)	0	(46,468,214)	(36,906,345)	0	0	(36,906,345)	0	(36,906,345)	87,472,806	

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

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Dr. F. O. Owino, PhD, CBS
Principal Secretary

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Nyakundi Mogere
Finance & Admin Manager
ICPAK Member No:2665

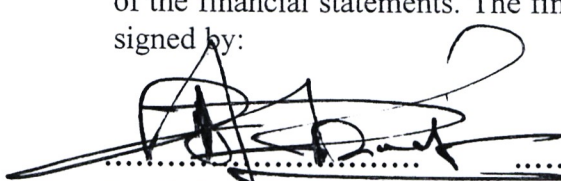
Kenya Cereal Enhancement Programme-Climate Resilient Agriculture Livelihoods (KCEP-CRAL)

Annual Report and Financial Statements for the financial year ended June 30, 2022

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

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11.A	87,472,806	133,919,260
Cash Balances	11. B	0	0
Cash equivalents (Short-term deposits)	11.C	0	0
Total Cash and Cash equivalents		87,472,806	133,919,260
Imprests and Advances	12	0	21,760
Total Financial Assets		87,472,806	133,941,020
Financial Liabilities			
Deposits and Retention monies	13	0	0
Net Assets		0	0
Represented By			
Fund Balance B/fwd.	14	133,941,020	170,847,365
Prior Year adjustments	15	0	0
Surplus/(Deficit) for the Year		(46,468,214)	(36,906,345)
Net Financial Position		87,472,806	133,941,020

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th September 2022 and signed by:


.....
Dr. F. O. Owino, PhD, CBS
Principal Secretary


.....
Dr. Cosmos Munyeke, PhD
Senior Programme Coordinator


.....
Nyakundi Mogere
Finance & Admin Manager
ICPAK Member No:2665

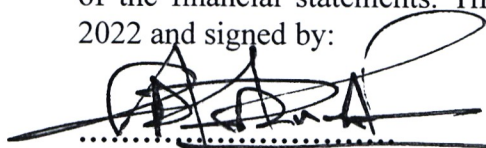
8. Statement of Cashflow for the year ended 30th June 2022

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	67,000,000	10,000,000
Proceeds from domestic and foreign grants	2	842,236,157	590,981,560
Miscellaneous receipts	4	0	0
Total receipts		909,236,157	600,981,560
Payments			
Compensation of employees	5	(112,899,294)	(106,768,300)
Purchase of goods and services	6	(586,841,099)	(368,117,560)
Social security benefits	7	(34,740,124)	(29,595,654)
Transfers to other government entities	9	0	0
Other grants and transfers	10	(358,947,716)	(769,328,540)
Total Payments		(1,093,428,233)	(1,273,810,054)
Adjustments during the year		0	0
Prior year adjustments	15	0	0
Decrease/(increase) in accounts receivable	16	21,760	1,014,325
Increase/(decrease) in accounts payable:	17	0	0
Net cash flow from operating activities		(184,170,316)	(671,814,169)
Cashflow from investing activities			
Acquisition of non-financial assets	8	(202,367,870)	(150,734,082)
Net cash flows from investing activities		(202,367,870)	(150,734,082)
Cash flow from financing activities			
Proceeds from foreign borrowings	3	340,091,732	786,656,231
Net cash flow from financing activities		340,091,732	786,656,231

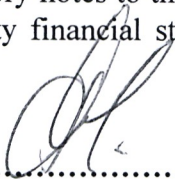
***Kenya Cereal Enhancement Programme-Climate Resilient Agricultural Livelihoods (KCEP-CRAL)
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Description	Notes	2021-2022	2020-2021
		Kshs	Kshs
Net increase in cash and cash equivalents		(46,446,454)	(35,892,020)
Cash and cash equivalent at beginning of the year	11	133,919,260	169,811,280
Cash and cash equivalent at end of the year	11	87,472,806	133,919,260

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 30th September 2022 and signed by:



.....
Dr. F. O. Owino, PhD, CBS
Principal Secretary



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Dr. Cosmos Munyeke, PhD
Senior Programme Coordinator



.....
Nyakundi Mogere
Finance & Admin Manager
ICPAK Member No:2665

Kenya Cereal Enhancement Programme - Climate Resilient Agriculture Liveihooos (KCEr-CRAL)
Annual Report and Financial Statements for the financial year ended June 30, 2022


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

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts						
Transfer from Government entities	134,000,000	0	134,000,000	67,000,000	67,000,000	50%
Proceeds from domestic and foreign grants	1,060,500,000	(460,500,000)	600,000,000	842,236,1567	(242,236,157)	140%
Proceeds from borrowings	1,570,375,455	(70,375,455)	1,500,000,000	635,616,949	864,383,051	42%
Miscellaneous receipts	0	0	0	0	0	0
Total Receipts	2,764,875,455	(530,875,455)	2,234,000,000	1,544,853,106	689,146,894	69%
Payments						
Compensation to employees	125,900,000	(1,000,000)	124,900,000	112,899,294	12,000,706	90%
Purchase of goods and services	1,174,386,000	(78,853,000)	1,095,533,000	586,841,099	508,691,901	54%
Social security benefits	40,000,000	0	40,000,000	34,740,124	5,259,876	87%
Acquisition of non-financial assets	129,134,000	99,433,000	228,567,000	202,367,870	26,199,130	89%
Other grants and transfers	1,295,455,455	(550,455,455)	745,000,000	654,472,933	90,527,067.00	88%
Total Payments	2,764,875,455	(530,875,455)	2,234,000,000	1,591,321,320	642,678,680	71%
Surplus or Deficit						

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


 Dr. F. O. Owino, PhD, CBS
 Principal Secretary


 Dr. Cosmos Munyeke, PhD
 Senior Programme Coordinator


 Nyakundi Mogere
 Finance & Admin Manager
 ICPAK Member No:2665

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for KCEP-CRAL Programme under the State Department of Crops Development and Agriculture Research. The financial statements are for KCEP-CRAL Programme as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

KCEP-CRAL Programme recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 Recognition of payments

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

i) Compensation to employees

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

Significant Accounting Policies (Continued)

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

10.6 In-kind donations

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

Significant Accounting Policies (Continued)

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 Restriction on cash

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

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies (Continued)

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

10.11 Contingent Assets

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

10.12 Pending bills

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

Significant Accounting Policies (Continued)

10.13 Budget

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

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs 295,525,217 Million being loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

Significant Accounting Policies (Continued)

10.16 Comparative figures

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

10.17 Subsequent events

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

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 14 of these financial statements

11. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry of Agriculture, Livestock, Fisheries and Cooperatives</i>			
Counterpart funds Quarter 1	0	0	35,000,000
Counterpart funds Quarter 2	67,000,000	0	157,250,000
Counterpart funds Quarter 3	0	10,000,000	92,750,000
Counterpart funds Quarter 4	0	0	12,500,000
Total (See Annex 2)	67,000,000	10,000,000	297,500,000

*Kenya Cereal Enhancement Programme-Climate Resilient Agricultural Livelihoods (KCEP-CRAL)
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Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

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

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in-kind	Total amount in Kshs	
						2021-2022	2020-2021
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)							
EU Grants (2000003493)	2/7/2021	2,593,492	339,881,535	0	0	339,881,535	249,540,719
EU Grants (2000001522)	2/7/2021	528,000	67,577,506	0	0	67,577,506	269,782,200
EU Grants (2000001522)	1/9/2021	1,472,000	191,239,885	0	0	191,239,885	6,856,347
EU Grants (2000003493)	6/12/2021	1,170,163	148,917,210	0	0	148,917,210	22,241,531
ASAP Grant No 2000001122	6/12/2021	241,925	27,233,506	0	0	27,233,506	42,560,763
ASAP Grant No 2000001122	28/02/2022	592,513	67,386,515	0	0	67,386,515	0
Total		6,598,093	842,236,157			842,236,157	590,981,560

N/B

Included in the receipts is an amount of Euro. 2,593,492 equivalent of Kshs. 339,881,535.50 which was withdrawn from the Designated Account No. 1000213485 in late June 2021 but were credited to the Programme operational bank Accounts on 5th July 2021. The funds were not therefore recognized in the Programme books for the year 2020/2021 but were recognized in the year 2021/2022 when they were received.

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021-2022	2020-2021
			Kshs	Kshs		
Loans received from Multilateral Donors (International Organizations)						
IFAD Loan No. 20000001121	28/09/2021	2,123,403	0	234,357,091	234,357,091	331,272,296
IFAD Loan No. 20000001121	30/11/2021	1,308,761	147,078,597	0	147,078,597	54,951,394
IFAD Loan No. 20000001121	7/03/2022	1,452,223	165,321,097	0	165,321,097	246,879,153
IFAD Loan No. 20000001121	7/04/2022	542,954	0	61,168,126	61,168,126	153,553,388
IFAD Loan No. 20000001121	5/05/2022	239,261	27,692,038	0	27,692,038	345,000,000
Total		5,666,602	340,091,732	295,525,217	635,616,949	1,131,656,231

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

	2021-2022		2020/2021	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties		
	Kshs	Kshs	Kshs	Kshs
Property income				
Sales of goods and services				
Administrative fees and charges				
Fines, penalties, and forfeitures				
Voluntary transfers other than grants				
Other receipts not classified elsewhere				
Total	0	0	0	0

There were no miscellaneous receipts during the two financial years.

Notes to the Financial Statements (Continued)

5. Compensation to Employees

	2021/2022			2020/2021		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	110,953,418.00	0	110,953,418.00	104,985,509	677,814,746	
Basic wages of temporary employees	1,075,276.00	0	1,075,276.00	907,191	2,942,789	
Personal allowances paid as part of salary	0	0	0	0	0	
Personal allowances paid as reimbursements	0	0	0	0	0	
Personal allowances provided in kind	0	0	0	0	0	
Pension and other social security contributions	0	0	0	0	121,000	
Compulsory national social security schemes	90,400.00	0	90,400.00	89,600	338,400	
Compulsory national health insurance schemes	780,200.00	0	780,200.00	786,000	3,694,300	
Social benefit schemes outside government	0	0	0	0	0	
Other personnel payments-(Gratuity)	0	0	0	0	945,000	
Total	112,899,294		112,899,294	106,768,300	685,856,235	

*Kenya Cereal Enhancement Programme-Climate Resilient Agricultural Livelihoods (KCEP-CRAL)
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Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

	2021/2022			2020/2021		Cumulative to-date Kshs
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Utilities, supplies and services	4,125,342.00	0	4,125,342.00	4,205,654	4,205,654	35,005,723.00
Communication, supplies and services	6,183,884.00	0	6,183,884.00	6,292,131.00	6,292,131.00	29,451,901.00
Domestic travel and subsistence	52,088,640.00	0	52,088,640.00	61,644,148.00	61,644,148.00	440,793,132.00
Foreign travel and subsistence	0	0	0	0	0	375,354
Printing, advertising, and information supplies	27,093,645.00	0	27,093,645.00	20,204,488.00	20,204,488.00	70,691,789.00
Training payments	273,212,117	0	273,212,117.00	153,683,592.00	153,683,592.00	544,957,730.00
Hospitality supplies and services	5,698,493.00	0	5,698,493.00	8,817,804	8,817,804	26,323,569
Insurance costs	21,497,712	0	21,497,712	17,050,471.00	17,050,471.00	88,264,309.00
Specialized materials and services	57,204,482	0	57,204,482	72,663,080	72,663,080	154,962,762
Other operating payments	20,074,890	0	20,074,890.00	19,540,624.00	19,540,624.00	136,517,697.00
Routine maintenance – vehicles and other transport equipment	6,229,542	0	6,229,542.00	4,015,568.00	4,015,568.00	18,057,334.00
Routine maintenance- other assets	113,432,352	0	113,432,352	0	0	113,548,972.00
Total	<u>586,841,099</u>	<u>0</u>	<u>586,841,099</u>	<u>368,117,560</u>	<u>368,117,560</u>	<u>1,658,950,272</u>

N/B

The changes in the reporting template for the financial year 2021/2022 has necessitated the following disclosures;

- i) Included in the Cumulative total cost for Maintenance of Motor vehicles is Kshs. 200,000 transferred to Toyota Kenya Ltd in the financial year 2017/2018 as a guarantee to facilitate servicing of Programme Motor vehicles in advance before payment. Routine maintenance of other assets relates to expenditures incurred while carrying out spot road maintenance by the Programme.
- ii) Communication, Supplies and services for the FY 2020/2021 comprises of communication expenses Kshs. 3,891,160 and Internet expenses Kshs. 2,400,971 all totaling to Kshs. 6,292,131
- iii) Printing, advertising and information supplies comprises of Costs of Printing, advertising and information supplies Kshs. 7,945,366.50 and trade shows and exhibitions Kshs. 12,259,121 all totaling Kshs. 20,204,487.50
- iv) Insurance Costs for the FY 2020/2021 comprises of cost of Motor vehicle Insurance Kshs. 3,773,976.30 and Medical Insurance Kshs. 13,276,495 all totaling Kshs. 17,050,471.30.
- v) Specialized Materials and Services for the FY 2020/2021 comprises of Agriculture Materials and Supplies Kshs. 72,603,680 and membership fees, dues and Subscriptions to professional and trade bodies Kshs. 59,400 all totaling Kshs. 72,663,080
- vi) Other operating costs for the FY 2020/2021 comprises of Costs of contractual technical services Kshs. 9,547,342.50, costs of General Office supplies Kshs. 6,976,414.40, Costs of Supplies and accessories for computers and printers Kshs. 1,167,087 and Costs of fuel and lubricants Kshs. 1,849,780 all totaling Kshs. 19,540,623.90

Notes to the Financial Statements (Continued)

7. Social Security Benefits

	2021-2022		2020-2021	Cumulative to-date Kshs
	Payments made by the Entity in Cash Kshs	Payments made by third parties Kshs		
Government pension and retirement benefits				
Social security benefits in cash and in kind	34,740,124.00	0	34,740,124.00	188,564,379.00
Employer social benefits in cash and in kind	0	0	0	0
Total	34,740,124	0	34,740,124	188,564,379.00

The expenditure relates to payment of service gratuity to staff working under the Programme during the financial year ended 30th June 2022.

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

	2021-2022		2020-2021		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Refurbishment of buildings	134,878,795.00	0	134,878,795.00	68,276,382.00	224,617,827
Purchase of vehicles & other transport equipment	14,782,000.00	0	14,782,000.00	28,224,000.00	103,283,695
Purchase of office furniture & general equipment	52,707,075.00	0	52,707,075.00	4,753,026.00	82,766,100
Purchase of specialised plant, equipment and machinery	0	0	0	0	0
Rehabilitation of civil works	0	0	0	49,480,674.00	49,480,674
Total	<u>202,367,870</u>	<u>0</u>	<u>202,367,870</u>	<u>150,734,082</u>	<u>460,148,296</u>

Payments for refurbishment of buildings relates to expenditures incurred in construction and refurbishment of storage facilities,

Purchase of furniture & general equipment refers to expenditure incurred in Procuring office furniture Kshs. 1,984,800, Purchase of video conferencing kits Kshs. 7,425,000 and Kshs. 43,297,275 for purchase of computers and printers.

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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

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

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	Kshs	Kshs	Kshs	2021-2020	Kshs
Transfers to National Government entities					
Ministry					
Project					
Transfers to County Governments					
County					
County					
Total					

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2022-2021			2020-2021	
	Kshs	Kshs	Kshs	Kshs	Kshs
Equity Bank (K) Ltd	147,141,321	234,357,091	381,498,412	459,842,926.00	1,886,322,749
Equity Group	0	0	0	0	52,291,850
Co-op Bank (K) Ltd	4,425,510.00	61,168,126	65,593,636	520,058,712.00	1,352,737,139
KALRO	0	0	0	30,329,474.00	166,108,157
EAGC	0	0	0	49,067,817.00	178,410,323
CETRAD	16,237,234.00	0	16,237,234.00	17,693,462.00	82,814,158
KMD	39,956,029.00	0	39,956,029.00	22,214,160.00	91,452,477
AGMARK	9,705,007.00	0	9,705,007.00	5,799,079.00	69,983,404
ICRAF	7,337,056.00	0	7,337,056.00	9,322,910.00	29,954,251
NDMA	90,000,000	0	90,000,000	0	162,000,000
EU	44,145,559	0	44,145,559	0	44,145,559
Total	358,947,716	295,525,217	654,472,933	1,114,328,540	4,116,220,067

Transfer to EU relates to EU grants financing No. 2000000623 and 2000001522 which closed on 20th December 2021. By the time of closure, the Programme had received disbursement amounting Euro. 21,650,000 equivalent to Kshs.2,573,778,426.45 out of which Euro. 21,305,112.82 (Kshs. 2,535,142,151.31) had been spent and accounted for and the balance of Euro. 344,887.18 equivalent of Kshs. 44,145,559 was refunded to IFAD for onward transfer to EU.

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The balance of funds with the partners as at 30th June 2022 amounted to Kshs. 124,196,084.20 as tabulated below;

Partner	Cumulative Transfer as at 30th June 2022	Cumulative Expenditure as at 30th June 2022	Balance as at 30th June 2022
Equity Bank	1,886,322,749.00	1,824,910,355.00	61,412,394.00
Equity G. F	52,291,850.00	14,112,994.00	38,178,856.00
Cooperative Bank	1,352,737,139.00	1,348,196,900.00	4,540,239.00
KALRO	166,108,158.00	166,108,158.00	0
EAGC	178,410,323.00	178,410,323.00	0
CETRAD	82,814,158.00	78,774,357.00	4,039,801.00
KMD	91,452,476.00	81,811,936.00	9,640,540.00
AGMARK	69,983,404.00	69,952,639.00	30,765.00
ICRAF	29,954,251.00	29,952,251.00	2,000
NDMA	162,000,000.00	155,648,511.00	6,351,489.00
	4,072,074,508	3,947,878,424	124,196,084

N/B

As at 30th June 2022, Kshs. 50,000,000 had been disbursed by the Programme to NDMA but was received by NDMA on 1st July 2022.

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts (Note 8.13A)	87,472,806.00	133,919,260.00
Cash in hand (Note 8. 13B)	0	0
Cash equivalents (short-term deposits) (Note 8.13C)		21,760
Total	<u>87,472,806.00</u>	<u>133,941,020.00</u>

KCEP-CRAL Programme has (Nineteen) 19 project accounts spread within the project implementation area and (Three) 3 foreign currency designated accounts managed by the National Treasury as listed below:

11. A Bank Accounts

Project Bank Accounts

Details	2021-2022	2020-2021
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank –Ac. No.1000213485	0	2,000,000
Central Bank –Ac. No.1000310316	0	0
Central Bank –Ac. No.1000310324	0	0
Total Foreign Currency balances	0	<u>2,000,000</u>
<u>Local Currency Accounts</u>		
Equity Bank-Account No.1510263657085	46,338,617.00	863,736.00
Equity Bank-Account No.1510265062080	26,349.00	5,415,899.00
Equity Bank-Account No.1510264926255	2,789,564.00	193,631.00
Equity Bank-Account No.1510279192355	2,695,011.00	6,840,199.00
Co-operative Bank of Kenya-Account No. 01141587177900-PCU LOAN	2,862,555.00	23,610,575.00
Co-operative Bank of Kenya-Account No. 01141587177901-PCU ASAP	5,176,827.00	64,941,369.00
Co-operative Bank of Kenya-Account No. 01141587177902-CR-LOAN	9,034,249.00	4,077,472.00
Co-operative Bank of Kenya-Account No. 01141587177903-CR-ASAP	834,767.00	3,089,330.00
Co-operative Bank of Kenya-Account No. 01141587177904-ER-LOAN	8,224,114.00	14,072,247.00

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Co-operative Bank of Kenya-Account No. 01141587177905-ER-ASAP	176,420.00	393,270.00
Co-operative Bank of Kenya-Account No. 01141587177906-WR-LOAN	2,886,734.00	7,895,312.00
Co-operative Bank of Kenya-Account No. 01141779197400-KILIFI	1,032,337.00	693,946.00
Co-operative Bank of Kenya-Account No. 01141222797000-TAITA	410,216.00	26,597.00
Co-operative Bank of Kenya-Account No. 01141566540500-KWALE	1,198,637.00	986,528.00
Co-operative Bank of Kenya-Account No. 01141302244400-KITUI	3,772,953.00	794,259.00
Co-operative Bank of Kenya-Account No. 0114173092800-EMBU	4,559.00	12,537.00
Co-operative Bank of Kenya-Account No. 01141572005000-THARAKA	1,519.00	5,040.00
Co-operative Bank of Kenya-Account No. 01141540780500-MAKUENI	7,373.00	6,266.00
Co-operative Bank of Kenya-Account No. 01141748922300-MACHAKOS	5.00	1,047.00
Total local currency balances	<u>87,472,806</u>	<u>133,919,260.00</u>
Total bank account balances	<u>87,472,806.00</u>	<u>133,919,260.00</u>

Notes to the Financial Statements (Continued)

Special Deposit Accounts

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

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

Special Deposit Accounts Movement Schedule

Description	2021-2022	2020-2021
	Euro	Euro
(i) A/c Name [A/c No. 1000213485]		
Opening balance	2,000,000	1,933,435.00
Total amount deposited in the account	1,170,163.00	6,593,492.00
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>3,170,163.00</u>	6,526,927.00
Closing balance (as per SDA bank account reconciliation attached)	<u>0</u>	<u>2,000,000</u>
(ii) A/c Name [A/c No. 1000310316]	US\$	US\$
Opening balance (as per the SDA reconciliation)	0	3,054,609.00
Total amount deposited in the account	4,169,999.00	4,178,485.00
Total amount withdrawn (as per Statement of Receipts & Payments)	4,169,999.00	7,233,094.00
Closing balance (as per SDA bank account reconciliation attached)	<u>0</u>	<u>0</u>
(iii) A/c Name [A/c No. 1000310324]	US\$	US\$
Opening balance (as per the SDA reconciliation)	0	0
Total amount deposited in the account	1,089,572.00	662,438.00
Total amount withdrawn (as per Statement of Receipts & Payments)	1,089,572.00	662,438.00
Closing balance (as per SDA bank account reconciliation attached)	<u>0</u>	<u>0</u>

N/B

1. The Special Deposit Accounts reconciliation statements have been attached as Appendix 1 support these closing balance.

An amount of US\$. 1,169,753.97 and US\$. 255,133.72 had been debited from special account No. 1000310316 and 1000310324 respectively on 29th June 2022 but was in transit in the ministry by the closure of the FY. The funds were credited to the project bank accounts in July 2022. These amounts are not therefore reflected in the statement of receipt and payment of the programme for this financial year.

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11 B Cash in hand

Description	2021-2022	2020-2021
	KShs	KShs
Location 1		
Location 2		
Location 3		
Other locations (<i>specify</i>)		
Total cash in hand balances	<u>0</u>	<u>0</u>

11 C Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	Kshs	KShs
Kenya Commercial Bank [A/C No.....]		
Co-Operative Bank of Kenya [A/C No.....]		
Others (<i>Specify</i>)		
Total	<u>0</u>	<u>0</u>

12. Imprests and Advances

Description	2021-2022	2020-2021
	Kshs	KShs
Government Imprests	0	21,760
Salary advances	0	0
Total	<u>0</u>	<u>21,760</u>

Notes to the Financial Statements (Continued)

12b: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
	Kshs	Kshs	Kshs	Kshs	Kshs
<i>Officer 1</i>					
<i>Officer 2</i>					
<i>Officer 3</i>					
<i>Officer 4</i>					
<i>Officer 5</i>					
<i>Programme 1</i>					
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0x</u>	<u>21,760</u>

13. Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention		
Deposits		
Total	<u>0</u>	<u>0</u>

14. Fund Balance Brought Forward

Description	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	133,919,260.00	169,811,280.00
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
Outstanding imprests and advances	21,760	1,036,085.00
Total	133,941,020.00	170,847,365.00

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

	Balance b/f FY (2020/2021 audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances			
Cash in hand			
Accounts Payables			
Receivables			
Others (<i>specify</i>)			
Total	0	0	0

16. Changes in Receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	21,760	1,036,085
Closing account receivables as at 30 th June 2022	0	21,760
Change in Receivables	21,760	1,014,325

17. Changes in Accounts Payable

Description	2021-2022	2020-2021
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2022	0	
Closing accounts payables as at 30 th June 2022	0	
Change in payables	0	0

12. Other Important Disclosures

1. Pending Accounts Payable (See Annex 3a)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works	67,854,049.00	0	67,854,049.00	0
Supply of goods	0	0	0	0
Supply of services	6,461,992.00	0	6,461,992.00	0
Total	74,316,041	0	74,316,041	0

2. Pending Staff Payables (See Annex 3b)

	Balance b/f FY 2020/20 21	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Senior management	948,118	0	948,118	0
Middle management				
Union employees				
Others				
Total	948,118	0	948,118	0

Other Important Disclosures (Continued)

3. Other Pending Payables (See Annex 3c)

	Balance b/f FY 2020/2021	Additions for the period	Paid during the year	Balance c/f FY 2021/2022
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities				
Amounts due to County Government entities				
Amounts due to third parties				
Total	0	0	0	0

4. External Assistance

	2021-2022	2020-2021
Description	Kshs	Kshs
External assistance received as grants	842,236,157.00	590,981,560.00
External assistance received as loans	340,091,732.00	786,656,232.00
External assistance received in kind- as payment by third parties	295,525,217.00	345,000,000.00
Total	1,477,853,106	1,722,637,792

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
External assistance received as loans	635,616,949.00	1,131,656,232.00
External assistance received as grants	842,236,157.00	590,981,560.00
Total	1,477,853,106	1,722,637,792

Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2021/2022	FY 2020/2021
Description		Kshs	Kshs
Undrawn external assistance - loans		2,784,858,545	3,420,475,494
Undrawn external assistance - grants		1,275,047,419	2,117,283,576
Total		<u>4,059,905,964</u>	<u>5,537,759,070</u>

c) Classes of providers of external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors	1,477,853,106.00	1,722,637,792.00
Bilateral donors	0	0
International assistance organization	0	0
NGOs	0	0
National Assistance Organization	0	0
Total	1,477,853,106.00	1,722,637,792.00

The overall goal of this assistance is to contribute to the reduction of rural poverty and food insecurity of small holder farmers in the ASAL's by developing their economic potential while improving their natural resources management capacity and resilient to climate change in an increasingly fragile ecosystem.

Other Important Disclosures (Continued)

d. Non-monetary external assistance

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Goods		
Services		
Total	0	0

e Purpose and use of external assistance

Payments made by third parties	FY 2021/2022	FY 2020/2021
	Kshs	Kshs
Compensation to employees	0	0
Use of goods and services	0	0
Subsidies	0	0
Transfers to other Government entities	0	0
Other grants and transfers	295,525,217	345,000,000
Social Security benefits	0	0
Acquisition of assets	0	0
Finance Costs including loan interest	0	0
Repayment of principal on domestic and foreign borrowing	0	0
Other payments	0	0
Total	295,525,217	345,000,000

Other Important Disclosures (Continued)

f. External Assistance paid by third parties on behalf of KCEP-CRAL Programme by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of KCEP-CRAL Programme.

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
National government	0	0
Multilateral donors	295,525,217	345,000,000
Bilateral donors	0	0
International assistance organization	0	0
NGOs	0	0
National Assistance Organization	0	0
Total	<u>295,525,217</u>	<u>345,000,000</u>

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13. Prior Year Auditor-General's Recommendations

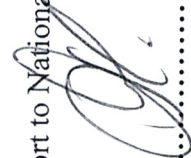
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.


.....
Name

Principal Secretary


.....
Name

Senior Programme Coordinator

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14. Annexes

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

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	134,000,000	67,000,000	67,000,000	50%	GoK did not fund second half as expected hence the variance
Proceeds from domestic and foreign grants	600,000,000	842,236,157	(242,236,157)	140%	Amounts of Kshs. 339,881,535.50 and 67,577,505.60 disbursed in June 2021 were credited to the Programme account in July 2021 hence captured as receipts for this year.
Proceeds from borrowings	1,500,000,000	635,616,949	864,383,051	42%	Kshs. 137,668,344.50 disbursed in June 2022 was credited to the programme account in July 2022 hence not captured in the accounts for this year.
Total Receipts	2,234,000,000	1,544,853,106	689,146,893	69%	
Payments					
Compensation of employees	124,900,000	112,899,294.00	12,000,706.00	90%	One officer resigned during the Financial year
Purchase of goods and services	1,095,533,000	586,841,099.00	508,691,901.00	54%	Covid 19 pandemic affected implementation of field related activities.
Social security benefits	40,000,000	34,740,124.00	5,259,876.00	87%	One officer resigned during the Financial year
Acquisition of non-financial assets	228,567,000	202,367,870.00	26,199,130.00	89%	Some construction works were ongoing by end of the FY and were completed in the following FY
Other grants and transfers	745,000,000	654,472,933.00	90,527,067.00	88%	Covid 19 pandemic affected implementation of field related activities by implementing partners
Total payments	2,234,000,000	1,591,321,320	642,678,680	71%	

N/B

The total final budget for Basic wages-temporary employees was Kshs.164,900,000 out of which Kshs.124,900,000 was allocated to compensation to employees and Kshs. 40,000,000 was allocated to social security benefits.

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Annex 2: Reconciliation of inter-entity transfers

Project Name:KCEP-CRAL Programme		Break down of transfers from the State Department of Crops Development and Agriculture Research	
a. Government Counterpart funding	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	27/09/2021	67,000,000	2021/2022
	Total	67,000,000	
B. Direct payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
IFAD Loan No. 20000001121	28/09/2021	234,357,091	2021/2022
IFAD Loan No. 20000001121	7/04/2022	61,168,126	2021/20 22
	Total	295,525,217	
C. Others	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
EU GRANTS	5/7/2021	339,881,536.00	2021/2022
EU GRANTS	8/7/2021	67,577,506.00	2021/2022
EU GRANTS	10/12/2021	148,917,210.00	2021/2022
EU GRANTS	9/1/2022	191,239,885.00	2021/2022
ASAP GRANT 20000001122	10/12/2021	27,233,506.00	2021/2022
ASAP GRANT 20000001122	09/03/2022	67,386,515.00	2021/2022
IFAD LOAN 20000001121	10/12/2021	147,078,597.00	2021/2022
IFAD LOAN 20000001121	7/03/2022	165,321,097.00	2021/2022
IFAD LOAN 20000001121	18/5/2022	27,692,038	2021/2022
	Total	1,182,327,890	

The above amounts have been communicated to and reconciled with the parent Ministry/ state department

Senior Programme Coordinator Head of Accounting Unit
KCEP-CRAL Programme State Department for Crops development and Agriculture Research

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Annex 3a - Analysis of Pending Bills

Supplier of Goods or Services	Original Amount a	Date Contracted b	Amount Paid To-Date c	Outstanding Balance 2020-2021 d=a-c	Outstanding Balance 2019/20	Comments
Construction of buildings						
1.						
2.						
Sub-Total						
Construction of civil works						
3.						
4.						
Sub-Total						
Supply of goods						
5.						
6.						
Sub-Total						
Supply of services						
7.						
8.						
Sub-Total						
Grand Total						

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Annex 3b - Analysis of Pending: Staff Bills

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

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Annex 3c - Analysis of other Pending Payables

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

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Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2021/22 (a)	Donations in form of assets (KShs) 2021/22 (b)	*Purchases/ Additions in the Year (KShs) 2021/22 (c)	**Disposals in the Year (KShs) 2021/22 (d)	Transfers in/(out) Kshs 2021/22 (d)	Closing Cost (KShs) 2022 (e)=(a)+(b)+c)-(d)+(-)d
Land	0	0	0	0	0	0
Buildings and structures	89,739,031.00	0	134,878,795.00	0	0	224,617,827.00
Transport equipment	88,501,695.00	0	14,782,000.00	0	0	103,283,695.00
Office equipment, furniture and fittings	9,225,899.00	0	1,984,800.00	0	0	11,210,699.00
ICT Equipment, Software and Other ICT Assets	20,833,126.00	0	50,722,275.00	0	0	71,555,401.00
Other Machinery and Equipment	0	0	0	0	0	0
Road Sport Improvements	49,480,674.00	0	0	0	0	49,480,674.00
Total	257,780,425		202,367,870	0	0	460,148,296

NB

The total expenditure under Purchase of office furniture and equipment's comprises of Purchase of office furniture Kshs. 1,984,800 and purchase of ICT items Kshs. 50,722,275 (Purchase of video conferencing kits Kshs. 7,425,000 and Kshs. 43,297,275 for purchase of computers and printers).

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Annex 5 – Contingent Liabilities Register

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

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Annex: 6 Reporting of Climate Relevant Expenditures

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

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

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

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Annex 7 Disaster Expenditure Reporting Template

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


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Annex 8: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2022
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

ANNEX 8: KCEP CRAL PROGRAMME TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2022

ITEM DESCRIPTION	DR	CR
	Kshs	Kshs
Fund balances B/F		133,941,020
Proceeds from domestic and foreign Grants		842,236,157
Loans from External development Partners		635,616,949
Transfer from Government Entities		67,000,000
Compensation to employees	112,899,294	
Social security benefits	34,740,124	
Utilities, supplies and services	4,125,342	
Communication, supplies and services	6,183,884	
Domestic travel and subsistence	52,088,640	
Printing, advertising and - information supplies & services	27,093,645	
Training expenses	273,212,117	
Hospitality supplies and services	5,698,493	
Insurance costs	21,497,712	
Specialised materials and services	57,204,482	
Other Operating expenses	20,074,890	
Routine maintenance - vehicles and other transport Equipment	6,229,542	
Routine maintenance - roads	113,432,352	
Acquisition of Fixed assets	202,367,870	
Transfer to partners	654,472,933	
Bank balances as at 30 th June 2022	87,472,806	
Cash balances as at 30 th June 2022	0	
TOTALS	1,678,794,126	1,678,794,126

 STATE OF NEW YORK DEPARTMENT OF LABOR DIVISION OF LABOR RELATIONS	
CERTIFICATE OF REGISTRATION	
NAME OF REGISTRANT	CLASSIFICATION
YAC	GRUAT
DATE OF EXPIRATION	EXPIRES
JUN 23 1944	JUN 23 1944
COUNTY OF	COUNTY OF
ALBANY	ALBANY
REGISTERED AT	REGISTERED AT
ALBANY	ALBANY