

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	
DATE: 15 OCT 2020	DAY: THURSDAY
TABLED BY:	LEADER OF THE MAJORITY
CLERK AT THE TABLE:	OF R.K. TIAMPATI

THE AUDITOR-GENERAL

ON

STATE DEPARTMENT FOR CO-OPERATIVES

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



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

07 OCT 2020

RECEIVED

MINISTRY OF INDUSTRY, TRADE AND CO-OPERATIVES

STATE DEPARTMENT FOR COOPERATIVES

REPORTS AND FINANCIAL STATEMENTS

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

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

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

Table of Contents	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
II. FORWARD BY THE CABINET SECRETARY.....	ix
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES	xviii
IV. REPORT OF THE INDEPENDENT AUDITORS ON THE <i>ENTITY</i>	xix
V. STATEMENT OF RECEIPTS AND PAYMENTS	1
VI. STATEMENT OF ASSETS AND LIABILITIES	2
VII. STATEMENT OF CASH FLOWS	3
VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED	4
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	5
X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT	6
XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES	7
XII. SIGNIFICANT ACCOUNTING POLICIES	8
XIII. NOTES TO THE FINANCIAL STATEMENTS	12

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Ministry of industry, trade and cooperatives

According to the Presidential Circular No. 1/2016 of May 2016 the main objective of the Ministry is to propel Kenya towards becoming a leading Industrial Hub and the most attractive investments destination in the region, thereby creating wealth and employment for Kenyans. The Ministry of Industry, Trade and Cooperatives has three State Departments and several State Agencies that support the implementation of its mandate. They include the State Department of Industry and Enterprise Development; the State Department for Cooperatives; and the State Department of Trade.

MANDATE

The State Department for Co-operatives was established under the Ministry of Industry, Trade and Co-operatives through the Presidential Circular No. 1/2018 of June, 2018. The Department has two Semi-Autonomous Government Agencies:

- i. The New Kenya Co-operative Creameries (New KCC) Ltd which was incorporated as a limited company with 100 percent Government share-holding on 19th November 2004.
- ii. SASRA licenses and regulates deposit taking SACCOs as per SACCO Societies Act of 2008.

The Presidential Circular which established the State Department spells out its mandate to include:

- iii. Co-operative Policy, standards and Implementation
- iv. Co-operative Financing Policy
- v. Co-operative Legislation and Support Services
- vi. Co-operative Education and training
- vii. Co-operative Governance
- viii. Co-operative Production, Marketing and Value Addition
- ix. Promotion of Co-operative Ventures
- x. Co-operative Audit services
- xi. Co-operative Savings, Credit and other Financial Services Policy

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

VISION

A Leading agent for a globally competitive Co-operatives sector.

MISSION

To facilitate an accelerated sustainable growth of the Co-operative sector through provision of an enabling policy, legal and regulatory framework.

STRATEGIC OBJECTIVES:

- (a) To undertake policy, legal and institutional reforms for rapid and sustainable co-operatives development.
- (b) To entrench good governance and Accountability within the cooperative sector.
- (c) To facilitate Savings Mobilization through Cooperatives.
- (d) To promote value addition, manufacturing, and market access by n co-operatives.

PROGRAMME AND SUB-PROGRAMMES

The State Department for Co-operative has one programme and five (5) sub-programmes as follows:

Programme: Co-operative Development and Management

Sub-Programme 1: Co-operative Governance and Accountability.

This entails:

- i. Mainstreaming ethics and governance in the co-operatives to safeguard members' savings and investments
- ii. Regulation and supervision of co-operative audits to enhance accountability through reporting to members, declaration of dividends and taxation

Sub-Programme 2: Co-operative advisory Services.

This aims at:

- i. Registration, supervision and oversight (inspection and inquiries) of cooperatives
- ii. Formulation of Policy and legal framework for cooperatives sub-sector.
- iii. Development of Co-operative Management Information System (CMIS) - Digitization of Co-operative Services to enhance service delivery.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

Sub-Programme 3: Co-operative Marketing, Value Addition and Research;

Which aims at:

- i. Promotion of value addition in commodity cooperatives to enhance returns to members.
- ii. Facilitate saving mobilization through SACCOs to promote availability of funds for affordable credit to members.
- iii. Support housing co-operatives to effectively participate in delivery of affordable housing.

Sub-Programme 4: Co-operative management and investment;

- i. The major thrust of this sub-program is to facilitate cooperative institutions to deliver on their mandate.

Sub-Programme 5: General Administration, Planning and Support Services (Headquarters);

The intent of this sub-program is:

- i. To ensure compliance with government policies and Budget utilization
- ii. To conduct Monitoring and Evaluation of on-going programmes to and projects

(b) Key Management

The State Department for Cooperatives day-to-day management is under the following key organs:

General administration
Office of the commissioner
Office of cooperative audit
Ethic commission

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting officer	Ali Noor Ismail-1 st April 2019
2.	Accounting officer	Susan Mochache-30 th March 2019
3.	Commissioner Cooperatives Development	Mary N. Mungai-1 st March 2019
4.	Ag. Commissioner cooperatives	Geoffrey Njangombe
5.	Ag. DHRM & D	Mr. Bolo
6.	Director Administration	Joshua Ouma
7.	Deputy Accountant General	CPA Peter M. Mokobo
8.	Ag Director Cooperatives audit	Javel Murira
9.	Secretary ECCOS	David Obonyo
10.	Ag. Chief Finance Officer	Martin Mosiria
11.	Ag. Chief Economist	Christopher Munyinyi

(d) Fiduciary Oversight Arrangements

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

(e) Entity Headquarters

P.O. Box 30547-00100
NSSF Building
Bishop Road
Nairobi,
KENYA.

(f) Entity Contacts

Telephone: (254) 020-273531-9
E-mail: ps.ushirika@gmail.com
Website: www.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019



Principal Secretary Ali Noor Ismail, CBS

Mr Ali Noor Ismail, CBS is the Principal Secretary (PS) in the State Department for Co-operatives, Ministry of Industry, Trade and Co-operatives. He holds a Master's of Science Degree in Human Resource Management. His career spans over 35years at management level in both private and public sectors. He has held the position of Principal Secretary since his appointment by H.E the President of the Republic of Kenya. He was the Principal Secretary in the Ministry of Environment and Forestry and Principal Secretary in the Ministry of Labour, Social Security and Services, and the State Department for Cooperatives.



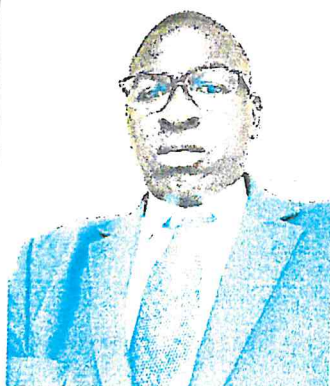
Principal Secretary Ms. Susan Mochache, CBS

Served briefly as PS State Department for Cooperatives in early 2019 before her appointment to the Ministry of Health in March, 2019. Holds a Bachelors' of Science degree in International Business from USIU and a Master of Science degree in Communications Management from University of Strathclyde. She is a Certified MSP Practioner in Project Management by APM Group Ltd. Served as an Assistant Director at Communications Authority of Kenya and as Ps in various government Ministries.



Director Administration





Mr.Joshua Harry Okoth Ouma, HSC, born 1956, holds a BA (Government and Sociology, University of Nairobi, Employed 1982 as an Assistant Cadet (AS III)and posted to the Ministry of Transport and Communication worked in various government ministries as senior official currently Director of Administration, State Department for Co-operative Development.



Mr. David K. K. Obonyo

Ag. Secretary, Ethics Commission for Cooperative Societies (ECCOS) Deputy Commissioner for Co-operative Development – Ministry of Industry, Trade and Co-operatives. Holds a Masters of Arts Rural Economics and Co-operation (Bundelkhand University, India); Bachelor of Arts, Economics, Sociology and Political Science and Diploma Industrial Relations. Has 24 years' service in the Cooperative Administration serving as Ag. Secretary, Ethics Commission for Cooperative Societies (ECCOS), Head of Department, Cooperative Finance and Banking, Cooperative County commissioner – Embu County, Provincial Cooperative Officer – Eastern Province and District Cooperative Officer – Machakos, Maragua, Nyandarua and Kiambu. A member of Kenya Society for Professional Co-operators. (KSPC)

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

	<p>Ag. Commissioner Cooperatives Mr. Geoffrey Njangombe is a Senior Deputy Commissioner for Co-operative Development currently the acting commissioner for cooperatives holds a master's in Business Administration (strategic management)-Kenyatta University(Kenya), Served as an auditor in the public service for 32 years at different levels ,Member of institute of Internal Auditor Member of Certified Co-operative Professionals</p>
	<p>MR. RASHID MWAGI M.O Ag. Chief Economist Head of the Central Planning and Projects Monitoring Unit, State Department for Co-operatives in the Ministry of Industry, Trade Co-operatives. Mr. Mwagi holds a Master's of Public Policy degree on Rural Society Leadership Development for Global Poverty Reduction from Yonsei University in South Korea and a Bachelor of Arts in Economics from Moi University His career spans over 16 years at middle management level in both private and public sectors.</p>
	<p>Ruth Kanini. Bosire Director HRM, Holds a Bachelor of Arts Degree, Sociology MSC in Organisational Development and Design MA in Leadership Management. Served as HRM for over 27 years, as Director HRM and Admin for LAPSET & Northern Corridor, Served as the National Administrative Coordinator. USA-Kenya Center for Disease Control (CDC): Presidents Emergency Plan For Aids Relief project (PEPFAR MEMBERSHIP: Institution Human Resource Management (IHRM). Kenya African Association for Public Administration and Management(KAPAM) African Society for Blood Transfusion (ASFBT) Kenya Chapter</p>
	<p>CPA Peter M. Mokobo Deputy accountant General Head of Accounting Unit Peter M. Mokobo assumed the position of Head of Accounting Unit in June 2019. He is in charge of accounting and financial reporting as well as designing, implementing and fair presentation of financial statements. He holds a Master's of Business Administration from JKUAT, Bachelor of Business Administration JKUAT and CPA (K) finalist.</p>
	<p>JAVEL MUTHEE MURIRA DEPUTY DIRECTOR, CO-OPERATIVE AUDIT, He holds a MBA in Finance, B.A in economics and sociology. KACE and KCE. He is a professional Accountant; He is in currently Director of Cooperative Audit State department for cooperatives. He has worked in various government units from the year 1994 to date. He is a member of ICPAK and Institute of internal auditors (IIA).</p>

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

II. FORWARD BY THE CABINET SECRETARY



HON. PETER G. MUNYA,
MGH.

Financial Year 2018/19 Budget overview

In line with the provision of Kenya Vision 2030 (KV2030), the SDC has identified key programs addressing employment creation, value addition, saving mobilization and equitable development. During the Financial Year 2018/19 the State Department engaged in co-operative policy and institutional reforms to spur growth of the sector. The main focus was on revitalizing existing co-operatives institutions to enhance value addition and production capacity. The Department improved service delivery through automation/digitization of its processes. The state department also undertook to modernize the New Kenya Co-operative Creameries (New KCC) plant and equipment into a leading regional dairy processor at a cost of Kshs200 Million, Digitize Co-operatives Services at a cost of Kshs70 Million through establishment of a Co-operative Management Information System (CMIS) and Development and implementation of SASRA Risk Based Supervision Framework at a cost of Kshs30 Million.

Financial Year 2018/19 Budget analysis

During the financial year 2018/19, the State Department was allocated Kshs739,265,015 of which Kshs.361,265,015 was Recurrent and Kshs378,000,000 was Development budget. The total expenditure during the F/Y 2018/19 was actual Kshs684,032,390 which translates to 93% absorption rate. The actual expenditure for recurrent and development budget was Kshs345,132,390 (96%) and Kshs338,900,000 (80%) respectively. The AIA collected during the period was Kshs11,352,315.00 against a target of Kshs10,000,000.

The breakdown of the F/Y 2018/19 budget allocation and actual expenditure is given in the table:

Item Description	Approved Estimates F/Y 2018/19	Actual Expenditure F/Y 2018/19	Balance	Percentage Absorption
Recurrent budget	361,265,015	345,132,390	16,132,625	96%
Development budget	378,000,000	338,900,000	39,100,000	90%
Gross expenditure	739,265,015	684,032,390	55,232,625	93%
AIA				
Net expenditure	739,265,015	684,032,390	55,232,625	93%

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

During the Financial year 2018/19 the State Department received exchequer of Kshs 684,032,390 and the actual expenditure was Kshs 683,824,825 as per the table below:

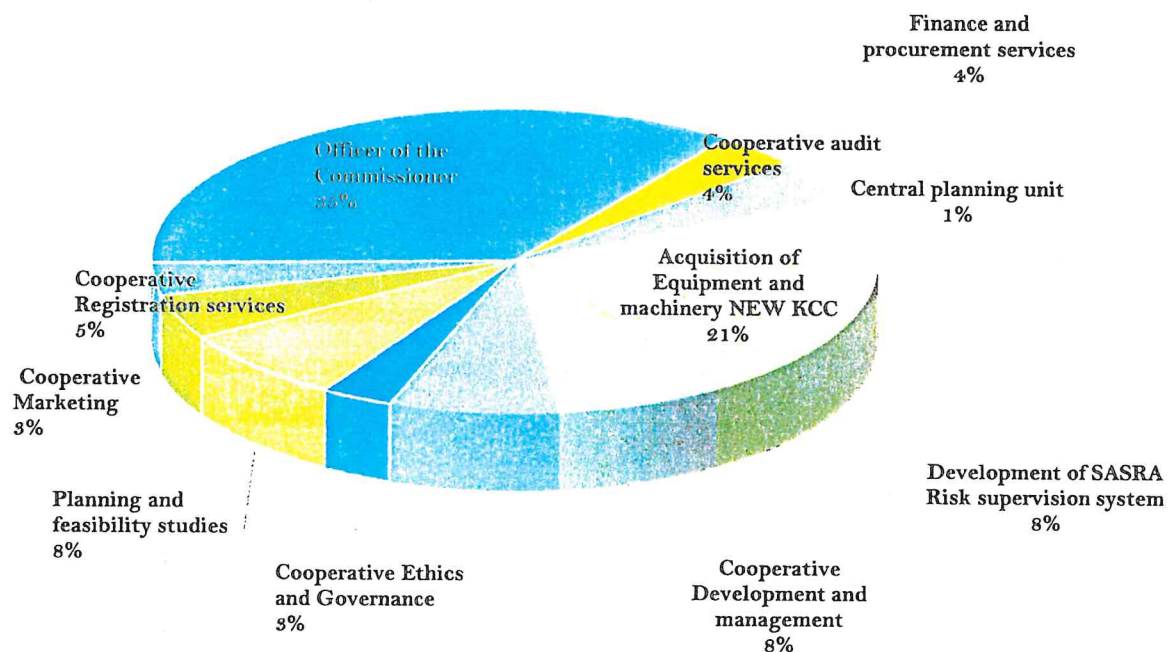
Item Description	Exchequer 2018/19	Actual Expenditure F/Y 2018/19	Balance	Percentage Absorption
Recurrent budget	345,132,390	345,014,042	118,348	99%
Development budget	338,900,000	338,810,783	89,217	99%
Gross expenditure	684,032,390	683,824,825	207,565	99%

Expenditure by economic classification and by programme

The State Department is organised into one Programme called Co-operative Development and Management and sub-programmes. The approved estimates and actual expenditure for the F/Y 2018/19 Co-operative Development and Management programme by economic classification is as follows:

BUDGET ALLOCATION BY PROGRAMMES			
Programmes	Approved Budget Allocation	Actual Payments	Variance
	Kshs	Kshs	Kshs
Cooperative Ethics and Governance	29,894,452	28,913,256	981,196
Planning and feasibility studies	72,274,339	68,838,381.90	3,435,958
Cooperative Registration services	43,097,957	41,640,725.55	1,457,231
Cooperative Marketing	32,233,780	31,295,699.65	938,080
Officer of the Commissioner	330,086,884	326,534,889.25	3,551,995
Cooperative audit services	34,470,428	32,953,268.35	1,517,160
Finance and procurement services	40,361,799	38,339,104.80	2,022,694.20
Central planning unit	11,645,376	10,332,751	1,312,625
Acquisition of Equipment and machinery NEW KCC	200,000,000	200,000,000	-
Development of SASRA Risk supervision system	70,000,000	68,810,783	1,189,217
Cooperative Development and management	70,000,000	70,000,000	-
Cooperative Development and management	38,000,000	-	38,000,000

BUDGET ALLOCATION BY PROGRAMMES

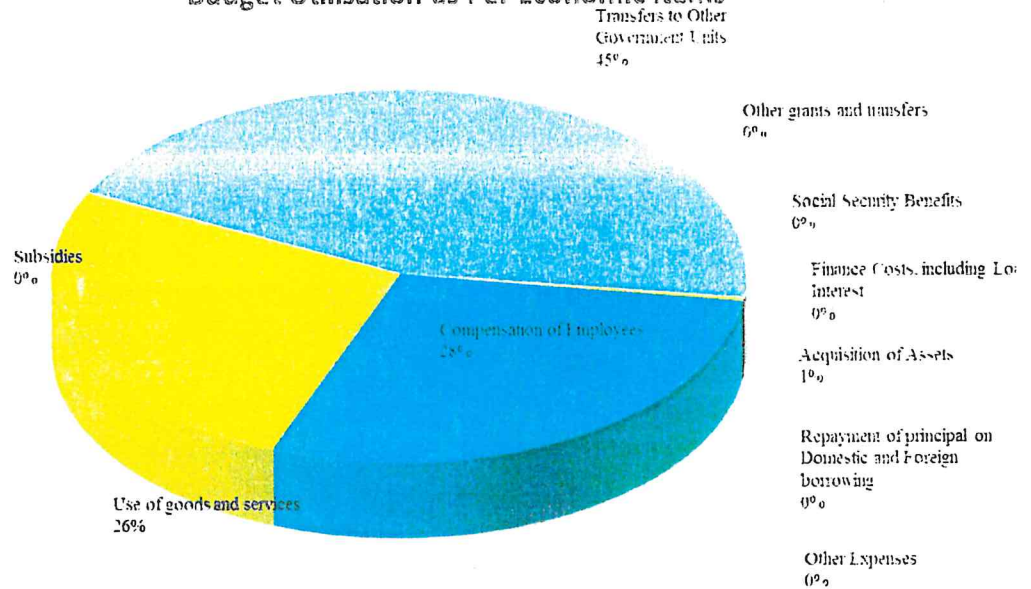


Budget Utilisation as per economic classification

	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	199,956,640	195,756,959	4,199,681
Use of goods and services	195,006,795	183,092,438	11,914,358
Transfers to Other Government Units	349,346,200	311,346,150	38,000,050
Social Security Benefits	1,500,000	1,259,036	240,964
Acquisition of Assets	3,455,380	3,404,277	51,104
Total Payments	749,265,015.00	694,858,859	54,406,157

STATE DEPARTMENT FOR COOPERATIVES
 Reports and Financial Statements
 For the year ended June 30, 2019

Budget Utilisation as Per Economic Items



STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ACHIEVEMENTS OF THE STATE DEPARTMENT

1. Co-operative Ethics and Governance.

To enforce ethics and governance in Cooperatives, the State Department managed to:

- i. Review the code of conduct for co-operative societies.
- ii. Develop MoU with the Ethics and Anti-Corruption commission to combat corruption in co-operative societies.
- iii. Complete 3 investigations, on mismanagement in co-operative societies (Kikuyu dairy FSC, Riverside SACCO, and Rumukia FCS)

2. Co-operative Audit Services.

In order to enhance accountability in the Cooperative sub-sector, the Department achieved the following:

- i. Register 3752 audited accounts for cooperatives.
- ii. 300 authorized audit firms were registered.
- iii. Compliance audit was carried out in 44 counties
- iv. Guidelines on co-operative taxation and International Financial Reporting Standards (IFRS 9) were developed.
- v. Reporting templates for marketing and SACCO societies were development.

3. Co-operative Registration Services.

The Registration Division in the State Department achieved the following during the period under review:

- i. 1237 cooperatives which applied for registration and met the standards required were registered.
- ii. 22 inquiries and inspections were carried out and completed.
- iii. Completed liquidations in 85 co-operative societies

4. Office of the Commissioner.

The Office of the Commissioner for Cooperatives accomplished the following:

- i. Model By-laws and Code of Conduct for transformation of Matatu SACCOs into Transport Co-operatives were developed.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

- ii. The Co-operative Information Management System (CMIS) was developed and is currently being implemented.
- iii. Sensitization for leaders of 40 bead-based co-operatives under the Ushanga Initiative was conducted.

5. Co-operative Finance and Marketing.

The State Department, through the Cooperative Finance and Marketing Division achieved the following:

- i. Facilitated increase in savings through cooperatives to Kshs. 766 B in both deposit and non-deposit taking SACCOs.
- ii. Facilitated the recovery of non-remittances of monies due to SACCO from employers amounting to Kshs. 1.005 B.
- iii. Performance audit done & data collection done in 24 coffee cooperatives in Nyeri County
- iv. National Coffee Revitalization Concept Paper was finalized and is awaiting implementation.
- v. 50 County Cooperative extension officers from Nyeri, Embu, Kirinyaga, Tharaka Nithi & Meru were trained on coffee management Prudential Standards and 273 factory managers from the above named counties trained on coffee processing
- vi. Developed five Prudential Manuals on management of coffee cooperatives.
- vii. Developed Cherry Coffee Revolving Fund concept note for the KShs. 3 B kitty
- viii. Developed need assessment two (2) tools for coffee factory infrastructure rehabilitation and coffee societies digitization.

6. Review of Co-operative Development Policy

The draft National Co-operative Policy was finalised and a cabinet memo prepared for forwarding to the Cabinet.

7. Implement phase three of Co-operative Management Information System (CMIS).

Activities undertaken were;

- i. MPESA pay bill number (69133) for the system was allocated.
- ii. Installation of wireless network and fire suppression system was done.
- iii. Procurement of ICT equipment, digitization of records, training of CMIS users and acquisition of internet services was done during the year under review.

8. Facilitate modernization and expansion of New KCC Dairy Processing plants/equipment in factories.

The State Department has been in the process to modernize New KCC by replacing old and obsolete machinery and equipment in NKCC plants. During the period under review, the following was done:

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

- i. Tender for one new Aseptic filling machine 500ml at Nyahururu Factory was awarded, contract signed and is awaiting delivery, installation and commissioning.
- ii. Tender for one Gable Top filling machine at Eldoret Factory was awarded, contract signed and is awaiting delivery and commissioning.
- iii. Tender for a butter tub filling machine at Kitale Factory was awarded, contract signed and is awaiting delivery.

BUDGET IMPLEMENTATION CHALLENGES

The sub-sector is faced with numerous challenges and emerging issues which need to be addressed to enable the Sub sector realize its targets. These specific challenges are highlighted here below:

- (i) **Inadequate funding for programmes:** The Sub sector funding has been inadequate to enable it effectively deliver its mandate and implement Vision 2030 flagship projects and programmes. Frequent budget cuts during the financial year has also impacted negatively on delivery of its mandate.
- (ii) **Un-aligned policy, legislative and regulatory framework:** The sub sector is faced with the challenge of aligning operational laws in the counties with national framework and harmonized policies for effective discharge and enforcement of the sub sector's mandate. The State Department embarked on reviewing the National Cooperative Development Policy which is awaiting presentation to Cabinet for approval. Other laws and regulations will be reviewed in subsequent period to align them with the Constitution and devolved system of government.
- (iii) **Innovation, Research and Development:** Research and Development is vital to support the growth and development of the sector, however, it has suffered inadequate funding. This has impacted negatively on the Department's capacity to effectively discharge its mandate.
- (iv) **Technology Adoption:** The low levels of ICT adoption in the Department and high cost of ICT infrastructure has hindered access and usage of ICT leading to increased costs of operation and inadequate service delivery.
- (v) **Low human resource capacity:** There are huge gaps in the Department's Human Resource Establishment which has been a major hindrance in the effectiveness of the Department.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

(vi) Climate change: This has reduced agricultural productivity which is a cornerstone of Cooperative Development.

Recommendations

In order to enhance the sub sector's contribution and productivity to the economy and to ensure successful implementation of the programs and projects planned for implementation in the 2018/19-2019/20 MTEF period, it is recommended that:

- i) The National Treasury should enhance funding to the Sub Sector to support its key priority programmes;
- ii) Enhancing capacity of the State Department human resource development
- iii) There is need to develop further collaboration frameworks with major stakeholder to enhance project implementation both at the National and County levels.



Hon. Peter G. Munya, MGH

CABINET SECRETARY

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.


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

The Accounting Officer in charge of the *State department for Cooperatives* accepts responsibility for the entity'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 (IPSAS). The Accounting Officer is of the opinion that the *entity's* financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Accounting Officer charge of the *State department for Cooperatives*) further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the *State department for Cooperatives* confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

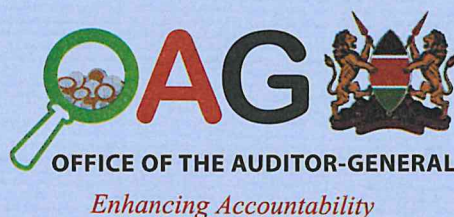
Approval of the financial statements

The *State Department for Cooperatives* financial statements were approved and signed by the Accounting Officer on 30th Sept 2019.


Principal Secretary
Ali Noor Ismail, CBS

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR CO-OPERATIVES FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of State Department for Co-operatives set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2019, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation-recurrent and development combined 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 State Department for Co-operatives as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the State Department'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 State Department 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 State Department's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Department'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 State Department to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


30 September, 2020

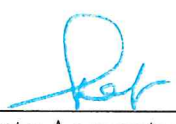
STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2018-2019 Kshs	2017-2018 Kshs
RECEIPTS			
Exchequer releases	1	684,032,390	1,245,376,880
Other Receipts	2	11,352,315	6,500,000
TOTAL RECEIPTS		695,384,705	1,251,876,880
PAYMENTS			
Compensation of Employees	3	195,756,959	186,368,494
Use of goods and services	4	183,092,437	496,574,630
Subsidies		-	-
Transfers to Other Government Units	5	311,346,150	535,500,000
Other grants and transfers	6	-	6,300,000
Social Security Benefits	7	1,259,036	8,011,000
Acquisition of Assets	8	3,404,277	6,842,250
TOTAL PAYMENTS		694,858,859	1,239,596,374
SURPLUS/DEFICIT		525,846	12,280,506

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 Sept 2019 and signed by:


Principal Secretary
Ali Noor Ismail, CBS

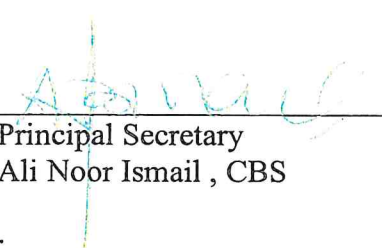

Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097


STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

VI. STATEMENT OF ASSETS AND LIABILITIES

	Note	2018-2019 Kshs	2017-2018 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9A	80,283,635	28,599,395
Cash Balances	9B	162,835	247,060
Total Cash and cash equivalent		80,446,470	28,846,455
Accounts receivables – Outstanding Imprests	10	217,510	231,411
TOTAL FINANCIAL ASSETS		80,663,980	29,077,866
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	11	80,076,070	993,540
NET FINANCIAL ASSETS		587,910	28,084,326
REPRESENTED BY			
Fund balance b/fwd	12	28,084,326	15,803,819
Prior year adjustment	13	-	-
Surplus/Deficit for the year		525,846	12,280,506
NET FINANCIAL POSSITION		587,910	28,084,325

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 Sept 2019 and signed by:


Principal Secretary
Ali Noor Ismail, CBS



Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097


STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

VII. STATEMENT OF CASH FLOWS

		2018-2019	2017-2018
RECEIPTS FOR OPERATING INCOME		Kshs	Kshs
Exchequer Releases	1	684,032,390	1,245,376,880
Other Revenues	2	11,352,315	6,500,000
TOTALS		695,384,705	1,251,876,880
PAYMENTS FOR OPERATING EXPENSES			
Compensation of Employees	3	195,756,959	186,368,494
Use of goods and services	4	183,092,437	496,574,630
Transfers to Other Government Units	5	311,346,150	535,500,000
Other grants and transfers	6	-	6,300,000
Social Security Benefits	7	1,259,036	8,011,000
Adjusted for:		3,930,122	19,122,756
Changes in receivables		13,901	(220,211)
Changes in payables		79,082,530	(4,397,182)
Adjustments during the year	13	(28,022,262)	-
Net cash flow from operating activities		55,002,217	14,505,363
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(3,404,277)	(6,842,250)
Net cash flows from Investing Activities		(3,404,277)	(6,842,250)
CASHFLOW FROM BORROWING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENT		51,600,015	7,663,113
Cash and cash equivalent at BEGINNING of the year		28,846,455	21,183,342
Cash and cash equivalent at END of the year		80,446,470	28,846,455

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 20th Sept 2019 and signed by:


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097

FATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
for the year ended June 30, 2019

I. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense 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/e
Exchequer releases	699,299,580	39,965,435	739,265,015	684,032,390	55,232,625	93%
Other Receipts	10,000,000	-	10,000,000	11,352,315	(1,352,315)	114%
TOTAL RECEIPTS	709,299,580	39,965,435	749,265,015	695,384,705	53,880,310	93%
PAYMENTS						
Compensation of Employees	120,750,000	79,206,640	199,956,640	195,756,959	4,199,681	98%
Use of goods and services	164,868,046	30,138,749	195,006,795	183,092,438	11,914,358	94%
Transfers to Other Government Units	812,190,000	(462,843,800)	349,346,200	311,346,150	38,000,050	89%
Social Security Benefits	0	1,500,000	1,500,000	1,259,036	240,964	84%
Acquisition of Assets	2,591,535	863,845	3,455,380	3,404,277	51,104	99%
TOTAL PAYMENTS	1,100,399,581	(351,134,566)	749,265,015	694,858,859	54,406,156	93%
Surplus/ Deficit	(391,100,001)	391,100,001	0	525,846	(525,846)	

The entity financial statements were approved on 30th Sept 2019 and signed by:

Ali Noor Ismail
Principal Secretary
Ali Noor Ismail, CBS

Peter M. Mokobo
Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097

TATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
for the year ended June 30, 2019

X. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense 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						
Exchequer releases	321,299,580	39,965,435	361,265,015	345,132,390	16,132,625	96%
Other Receipts	10,000,000	-	10,000,000	11,352,315	(1,352,315)	114%
TOTAL RECEIPTS	331,299,580	39,965,435	371,265,015	356,484,705	14,780,310	96%
PAYMENTS						
Compensation of Employees	120,750,000	79,206,640	199,956,640	195,756,959	4,199,681	98%
Use of goods and services	94,868,046	30,138,749	125,006,795	114,281,654	10,725,141	91%
Transfers to Other Government Units	42,190,000	(843,800)	41,346,200	41,346,150	50	100%
Social Security Benefits	0	1,500,000	1,500,000	1,259,036	240,964	84%
Acquisition of Assets	2,591,535	863,845	3,455,380	3,404,277	51,104	99%
TOTAL PAYMENTS	260,399,581	110,865,434	371,265,015	356,048,076	15,216,940	96%
Surplus/Deficit	70,899,999	(70,899,999)	0	436,629	(436,630)	

The entity financial statements were approved on 30th Sept 2019 and signed by: _____

Principal Secretary
Ali Noor Ismail, CBS

Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097

FATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
for the year ended June 30, 2019

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense 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 = e / c
RECEIPTS						
Exchequer releases	378,000,000	0	378,000,000	338,900,000	39,100,000	90%
TOTAL RECEIPTS	378,000,000	0	378,000,000	338,900,000	39,100,000	90%
PAYMENTS						
Use of goods and services	70,000,000	0	70,000,000	68,810,783	1,189,217	98%
Transfers to Other Government Units	770,000,000	(462,000,000)	308,000,000	270,000,000	38,000,000	88%
Other Payments						
TOTAL PAYMENTS	840,000,000	(462,000,000)	378,000,000	338,810,783	39,189,217	90%
Surplus/Deficit	(462,000,000)	462,000,000	0	89,217	(89,217)	

The entity financial statements were approved on 30th Sept 2019 and signed by:


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CPA Peter M. Mokobo
ICPAK Number: 4097

NATIONAL DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
for the year ended June 30, 2019

I. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget 20xx Kshs	Adjustments Kshs	Final Budget 20xx Kshs	Actual on basis Date, 20xx Kshs	Budget utilization difference Kshs
Governance and Accountability	64,364,880		64,364,880	61,626,599	2,738,281
Cooperate advisory services	513,184,841	222,800,000	290,384,841	283,068,284	7,316,557
Marketing ,value addition and research	70,233,780		70,233,780	31,147,213	39,086,567
0304040000	200,000,000		200,000,000	200,000,000	0
0304050000	124,281,514		124,281,514	116,585,296	7,696,218
TOTAL	972,065,015	222,800,000	749,265,015	692,427,391	56,837,623

NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. Ensure that this document is completed to enable consolidation by the National Treasury).

Note: Amount of 222,800,000 is AIA budgeted to be collected by SASRA which is reported in their books.

XII. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the *State department for cooperatives*. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

• Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

SIGNIFICANT ACCOUNTING POLICIES

• Transfers from the Exchequer

Transfers from the exchequer are 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.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

- **External Assistance**

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

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2019, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **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 recognised in the financial statements the time associated cash is received.

b) Recognition of payments

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

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

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

- **Interest on Borrowing**

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

- **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.

- **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 financial statements.

STATE DEPARTMENT FOR COOPERATIVES

Reports and Financial Statements

For the year ended June 30, 2019

5. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity 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.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

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.

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 party deposits. As at 30th June 2019, this amounted to Kshs 80,076,071 compared to Kshs 993,540 adjusted for an understatement of Kshs 12,082,184 in prior period as indicated on note 13. There were no other restrictions on cash during the year.

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are 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.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. 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' items to provide a sense of the overall net cash position of the Entity at the end of the year. 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.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2018 for the period 1st July 2018 to 30th June 2019 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

13. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2019.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 13 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. EXCHEQUER RELEASES

Description	2018 - 2019 Kshs	2017 - 2018 Kshs
Total Exchequer Releases for quarter 1	58,623,000	157,941,711
Total Exchequer Releases for quarter 2	237,194,000	384,837,469
Total Exchequer Releases for quarter 3	149,379,590	337,352,000
Total Exchequer Releases for quarter 4	238,835,800	365,245,700
Total	684,032,390	1,245,376,880

2. OTHER RECEIPTS

Description	2018-20 19 Kshs	2017 -2018 Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	11,352,315	6,500,000
Total	11,352,315	6,500,000

3. COMPENSATION OF EMPLOYEES

	2018-20 19 Kshs	2017 -2018 Kshs
Basic salaries of permanent employees	123,143,450	115,992,206
Personal allowances paid as part of salary	72,613,509	70,376,288
Total	195,756,959	186,368,494

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

4. USE OF GOODS AND SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Communication, supplies and services	8,367,611.15	9,495,553
Domestic travel and subsistence	21,177,282.25	28,455,073
Foreign travel and subsistence	14,560,594.00	14,878,296
Printing, advertising and information supplies & services	5,720,276.85	7,631,170
Training expenses	12,093,716.05	13,996,348
Hospitality supplies and services	15,180,128.00	10,590,776
Specialized materials and services	5,385,889.55	5,300,442
Office and general supplies and services	20,099,162.95	15,228,260
Other operating expenses	69,909,034.45	379,075,750
Routine maintenance – vehicles and other transport equipment	2,381,003.00	4,491,864
Routine maintenance – other assets	4,145,798.45	3,205,669
Fuel Oil and Lubricants	4,071,940.50	4,225,428
Total	183,092,437	496,574,630

5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2018-2019	2017-2018
	Kshs	Kshs
Transfers to National Government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
Transfers to other levels of Government -RECURRENT	41,346,150	535,500,000
(Capital Grants to other government agencies DEVELOPMENT	270,000,000	
TOTAL	311,346,150	535,500,000

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	2018-2019	2017-2018
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
New KCC	0	200,000,000	200,000,000	187,500,000
SASRA	41,346,150	70,000,000	111,346,150	348,000,000
TOTAL	41,346,150	270,000,000	311,346,150	535,500,000

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements.

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

6. OTHER GRANTS AND TRANSFERS

Explanation	2018-2019	2017 -2018
	Kshs	Kshs
Membership dues and subscriptions to international organizations	-	6,300,000
Total	-	6,300,000

7. SOCIAL SECURITY BENEFITS

Explanation	2018-2019	2017 -2018
	Kshs	Kshs
Government pension and retirement benefits	1,259,036	8,011,000
Total	1,259,036	8,011,000

8. ACQUISITION OF ASSETS

Non-Financial Assets	2018-2019	2017 -2018
	Kshs	Kshs
Purchase of Vehicles and Other Transport Equipment		
Overhaul of Vehicles and Other Transport Equipment	639,435	
Purchase of Furniture and Institutional Equipment		
Purchase of Office Furniture and General Equipment	2,764,842	6,842,250
Purchase of ICT Equipment, Software and Other ICT Assets		
Total	3,404,277	6,842,250

9A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency Kshs	Indicate whether recurrent, Development, deposit e.t.c	Exe rate (if in foreign currency)	2018-2019 Kshs	2017 -2018 Kshs
REC A/C 1000303042	118,348			118,348	16,503,612
DEC A/C 1000303058	89,217			89,217	13,600
DEPOSIT AC 1000303069	7,758,732			7,758,732	12,082,184
Cooperative Liquidation 1000347066	72,317,339			72,317,339	
Total	80,283,636			80,283,636	28,599,396

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

9B: CASH IN HAND

	2018-2019	2017 -2018
	Kshs	Kshs
Cash in Hand – Held in domestic currency	162,835	247,060
Cash in Hand – Held in foreign currency		
Total	162,835	247,060

9C: Cash in hand should also be analysed as follows:

	2018-2019	2017 -2018
	Kshs	Kshs
Cash office		
Cash office	162,835	247,060
Total	162,835	247,060

10: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

Description	2018-2019	2017 -2018
	Kshs	Kshs
Government Imprests	-	147,350
Salary advances	217,510	84,061
District suspense		
Clearance accounts	-	-
Total	217,510	231,411

SALARY ADVANCES

Name of Officer or Institution	Date Imprest Taken	Amount Taken Kshs	Amount Surrendered Kshs	Balance Kshs
George Otieno Silwa	DEC 2018			208,180
Cyril Keah	SEP 2018			9330
Total				217,510

11. ACCOUNTS PAYABLE

Description	2018-2019	2017 -2018
	Kshs	Kshs
Deposits	7,758,732	993,540
Deposits - Liquidation	72,317,339	
Total	80,076,071	993,540

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

12. FUND BALANCE BROUGHT FORWARD

Description	2018-2019	2017 -2018
	Kshs	Kshs
Bank accounts	28,599,395	20,868,468
Cash in hand	247,060	314,873
Accounts Receivables	231,411	11,200
Accounts Payables	993,540	(5,390,722)
Total	30,071,406	15,803,819

13. PRIOR YEAR ADJUSTMENTS

Description of the error	2018-2019	2017 -2018
	Kshs	Kshs
Exchequer returned to treasury	16,933,618.05	
Deposit account understated	12,082,184.00	
Less Deposits retention	(993,540)	
Adjustments on bank account balances	28,022,262	0

Prior year adjustment relates to unused balances as at 30th June 2019 of kshs 16,933,618.05 which was returned to treasury, ksh 12,082,184 relates to deposit account that was understated and ksh 993,540 as 10% retention owed to systematica Limited.

14. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the state department for cooperatives

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2018-2019	2017 -2018
	Kshs	Kshs
Key Management Compensation	-	-
	-	-
Transfers to related parties		
Transfers to other MDAs	-	-
Transfers to SCs and SAGAs		

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

Description	2018-2019	2017 -2018
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-

15.2: PENDING STAFF PAYABLES (See Annex 2)

	2018-2019	2017 -2018
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others (<i>specify</i>)	-	-

15.3: OTHER PENDING PAYABLES (See Annex 3)

	2018-2019	2017 -2018
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to Entity entities	-	-
Amounts due to third parties	-	-
Others (<i>specify</i>)	-	-

STATE DEPARTMENT FOR COOPERATIVES

Reports and Financial Statements

For the year ended June 30, 2019

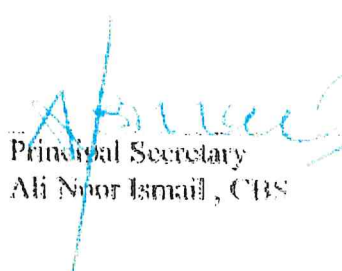
16. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

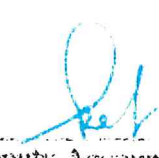
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
Other Matters: 1.	To prepare and submit separate financial statements for the Fund accounts	Both Management & Supervision and Liquidation Funds Financial statements were prepared and presented for review to Auditor General.	HAU	Resolved	3 months
2.	Differences between Financial Statements and the Trial balances	Interface problem between IFMIS and Internet Banking	HAU	IFMIS assistance	Continuous

Guidance Notes:

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


Principal Secretary
Ali Noor Ismail, CBS


Deputy Accountant General
Name: CFA Peter M. Mokoba
ICTAK Number: 4097

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
	A	B	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4.						
5.						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
		a	b	c	d=a-c		
Senior Management							
1.							
2.							
3.							
Sub-Total							
Middle Management							
4.							
5.							
6.							
Sub-Total							
Unionisable Employees							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

STATE DEPARTMENT FOR COOPERATIVES

Reports and Financial Statements

For the year ended June 30, 2019

ANNEX 3 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 20XX	Outstanding Balance 20XX	Comments
		a	b	c	d=a-c		
Amounts due to National Govt Entities							
1.							
2.							
3.							
Sub-Total							
Amounts due to County Govt Entities							
4.							
5.							
6.							
Sub-Total							
Amounts due to Third Parties							
7.							
8.							
9.							
Sub-Total							
Others (specify)							
10.							
11.							
12.							
Sub-Total							
Grand Total							

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f	Additions during the year 2016/17	Additions during the year 2017/18		Additions during the year 2018/19		Disposals during the year 2018/19		Cumulative 2018/2019	Cost c/f
			Acquisition	CMIS	Acquisition	CMIS	Acquisition	CMIS		
	Prior-years'		2017/18(Kshs)		2018/19(Kshs)		2018/19(Kshs)		(Kshs)	
Land										
Buildings and structures										
Transport equipment: Bf L/Cruiser Prado		12,362,400	0	0	0		0	0		12,362,400
Office equipment, furniture and fittings		1,265,495	6,842,250	0	3,404,277		0	0		11,512,022
ICT Equipment, Software and Other ICT Assets	1,821,000	2,023,840	0	9,935,400	15,365,354		0	0		29,145,594
Other Machinery and Equipment										
Heritage and cultural assets										
Intangible assets										
Totals	1,821,000	15,651,735	6,842,250	9,935,400	18,769,631		0	0	0	53,020,016

Note: The entity inherited Government vehicles from other MDAs when it was gazetted in 2016, whose values can only be ascertained by original procurers with documentations.

Also the entity inherited Office Equipments', Furniture & Fittings and most ICT Equipments' from the former mother Ministry of industrialization and enterprise development.

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 8 on acquisition of assets during the year. (Ensure this section is complete covering all the entities assets)

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 5 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY (*insert entity's name*)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1				

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 6 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY (*insert entity's name*)

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter-entity reconciliations done? (yes/no)
1	SASRA	To regulate the deposit taking Sacco Societies in Kenya	CEO	111,346,150	Yes
2	New KCC	Buying, processing, selling and distribution of milk and milk products.	CEO	200,000,000	Yes

STATE DEPARTMENT FOR COOPERATIVES
Reports and Financial Statements
For the year ended June 30, 2019

ANNEX 7- REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes

