

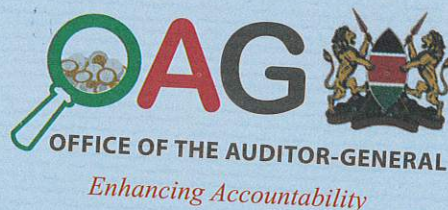
*Enhancing Accountability*

**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**KENYA PLANT HEALTH INSPECTORATE**  
**SERVICE**

**FOR THE YEAR ENDED**  
**30 JUNE, 2023**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE, 2023**

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Kenya Plant Health Inspectorate Service set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance,

*Report of the Auditor-General on Kenya Plant Health Inspectorate Service for the year ended 30 June, 2023*

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Plant Health Inspectorate Service as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Plant Health Inspectorate Service Act, 2012 and Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.3,216,213,000 and as disclosed in Note 26 to the financial statements. The balance and as previously reported includes eleven (11) parcels of land valued at Kshs.2,350,450,000 situated in Nakuru, Kiambu, Trans Nzoia, Embu, Nairobi and Kisumu Counties. However, the Inspectorate Service did not possess ownership documents for the land in Nakuru, Kiambu (Muguga) and Kitale. Although records provided for audit indicated Management had made efforts to have ownership of the Nakuru and Kiambu (Muguga) lands transferred from the Kenya Agricultural and Livestock Research Organization (KARLO) to KEPHIS, it was not certain when the title documents would be obtained.

Further, as similarly reported in the previous year, out of the 125.3 hectares of land in Trans Nzoia irregularly possessed by private developers or occupied by illegal settlers, the Inspectorate Service had as at 30 June, 2023 recovered 34.09 hectares only. The prospects for recovery of the remainder 91.21 hectares were not disclosed by Management.

In the circumstances, ownership of property, plant and equipment, and accuracy and completeness of the respective net book balance of Kshs.3,216,213,000 as at 30 June, 2023 could not be confirmed.

#### **2.0 Presentation and Disclosure of the Financial Statements**

Review of the financial statements submitted for audit revealed the following anomalies;

- (i) The statement of changes in net assets and Note 26 to the financial statement on property, plant and equipment did not include detailed comparatives as required by the accounting standards.

- (ii) The opening balance for donated assets under deferred income in Note 31 to the financial statements reflects Kshs.49,960,000 instead of previous year balance of Kshs.46,960,000 resulting to a variance of Kshs.3,000,000.
- (iii) Note 31 to the financial statements reflect a balance of Kshs.46,960,000 being transfer to depreciation under public contributions and donations. However, Note 14 and Note 26 to the financial statements on depreciation and on property, plant and equipment respectively does not reflect this balance.

In the circumstances, the accuracy and completeness of the above balances included in these financial statements could not be confirmed.

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

### **Key Audit Matters**

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

## **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**

### **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 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 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.

## **Responsibilities of Management and Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 Inspectorate Service's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Service, 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.

The Board of Directors is responsible for overseeing the Inspectorate Service's financial reporting process, reviewing the effectiveness of how the Inspectorate 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 controls 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:

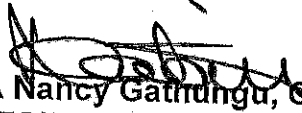
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Inspectorate Service's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report.

However, future events or conditions may cause the Inspectorate Service 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 Inspectorate Service 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

13 February, 2024

Kenya Plant Health Inspectorate Service,  
Annual Report and Financial Statements  
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14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2023

|                                                             | Notes | 2022-2023        | 2021-2022        |
|-------------------------------------------------------------|-------|------------------|------------------|
|                                                             |       | Kshs '000'       | Kshs '000'       |
| <b>Revenue from non-exchange transactions</b>               |       |                  |                  |
| Public contributions and donations                          | 6     | 73,170           | 45,099           |
| Transfers from other governments—gifts and services-in-kind | 7     | 151,000          | 160,500          |
|                                                             |       | <b>224,170</b>   | <b>205,599</b>   |
| <b>Revenue from exchange transactions</b>                   |       |                  |                  |
| Rendering of services                                       | 8     | 1,334,500        | 1,250,270        |
| Hire of Facilities                                          | 9     | 7,407            | 6,282            |
| Finance income-external investments                         | 10    | 155              | 155              |
| Other income                                                | 11    | 1,493            | 1,536            |
|                                                             |       | <b>1,343,556</b> | <b>1,258,243</b> |
|                                                             |       | <b>1,567,726</b> | <b>1,463,842</b> |
| <b>Total revenue</b>                                        |       |                  |                  |
| <b>Expenses</b>                                             |       |                  |                  |
| Employee costs                                              | 12    | 670,616          | 654,217          |
| Board Expenses                                              | 13    | 31,701           | 23,847           |
| Depreciation and amortization expense                       | 14    | 77,765           | 94,891           |
| Repairs and maintenance                                     | 15    | 76,871           | 70,538           |
| Grants and subsidies                                        | 16    | 26,211           | 25,288           |
| General expenses                                            | 17    | 746,328          | 662,862          |
|                                                             |       | <b>1,629,491</b> | <b>1,531,643</b> |
| <b>Total expenses</b>                                       |       |                  |                  |
| <b>Other gains/(losses)</b>                                 |       |                  |                  |
| Gain on sale of assets                                      | 18    | (2,602)          | 393              |
| Gain on foreign exchange transactions                       | 19    | 1,768            | 1,230            |
| Increase/Decrease in provision                              | 30    | (6,800)          | (4,346)          |
|                                                             |       | <b>(7,634)</b>   | <b>(2,723)</b>   |
| <b>Total other gains/(losses)</b>                           |       | <b>(69,399)</b>  | <b>(70,524)</b>  |
| <b>Surplus/Deficit for the period</b>                       |       |                  |                  |

The notes set out on pages 7 to 42 form an integral part of these Financial Statements.  
The financial statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:

Managing Director  
Prof. Theophilus M. Mutui (Ph.D.)

Date...24/01/2024...

Ag. Director Corp. Services  
Mr. Bartonjo Cheptarus  
CPAK Member No. 4391

Date...23/01/2024...

Chairman of the Board  
HON. Joseph M'eruaki

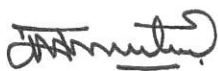
Date...24/01/2024...

**Kenya Plant Health Inspectorate Service,  
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For the year ended June 30, 2023**

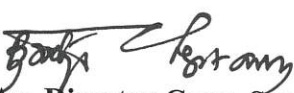
**15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

|                                                     | Notes | 2022-2023        | 2021-2022        |
|-----------------------------------------------------|-------|------------------|------------------|
|                                                     |       | Shs '000'        | Shs '000'        |
| <b>Assets</b>                                       |       |                  |                  |
| <b>Current assets</b>                               |       |                  |                  |
| Cash and cash equivalents                           | 20    | 27,123           | 23,721           |
| Receivables from exchange transactions              | 21/22 | 145,862          | 138,383          |
| Receivables from non-exchange transactions          | 23    | 19,645           | 5,311            |
| Inventories                                         | 24    | 31,611           | 63,175           |
| Prepayments                                         | 25    | 37,337           | 55,784           |
|                                                     |       | <b>261,579</b>   | <b>286,373</b>   |
| <b>Non-current assets</b>                           |       |                  |                  |
| Property, plant & equipment                         | 26/27 | 3,216,213        | 1,072,583        |
| Investments                                         | 28    | 60,000           | 60,000           |
| Long term receivables                               |       | -                | -                |
|                                                     |       | <b>3,276,213</b> | <b>1,132,583</b> |
| <b>Total assets</b>                                 |       | <b>3,537,792</b> | <b>1,418,956</b> |
| <b>Liabilities</b>                                  |       |                  |                  |
| <b>Current liabilities</b>                          |       |                  |                  |
| Trade and other payables from exchange transactions | 29    | 165,287          | 126,555          |
| Provisions                                          | 30    | 8,459            | 7,693            |
| Deferred income                                     | 31    | 17,803           | 57,197           |
| Payments received in advance                        | 32    | 8,447            | 9,474            |
| Current Borrowing                                   |       | -                | -                |
|                                                     |       | <b>199,996</b>   | <b>200,920</b>   |
| <b>Net assets</b>                                   |       |                  |                  |
| Reserves                                            |       | 3,407,194        | 1,288,560        |
| Surplus/(deficit)                                   |       | (69,399)         | (70,524)         |
|                                                     |       |                  |                  |
| <b>Total Net Assets &amp; Liabilities</b>           |       | <b>3,537,792</b> | <b>1,418,956</b> |

The Financial Statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:

  
Managing Director  
Prof. Theophilus M. Mutui (Ph.D.)

Date...24/01/2024

  
Ag. Director Corp. Services  
Mr. Bartonjo Cheptarus  
CPAK Member No. 4391

Date...23/01/2024

  
Chairman of the Board  
HON. Joseph M'eruaki M'uthari

Date...24/01/2024

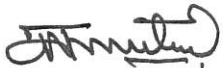
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE  
2023

|                                            | Revaluation<br>reserve | Retained<br>earnings | Total      |
|--------------------------------------------|------------------------|----------------------|------------|
|                                            | Kshs '000'             | Kshs '000'           | Kshs '000' |
| Balance as at June 30 <sup>th</sup> , 2022 | 451,194                | 766,841              | 1,218,036  |
| Revaluation Gain                           | 2,189,158              | -                    | 2,189,158  |
| Balance on Revaluation                     | 2,640,352              | 766,841              | 3,407,194  |
| Add: Surplus/(Deficit) for FY 22/23        | -                      | (69,399)             | (69,399)   |
| Balance as at June 30, 2023                | 2,640,352              | 697,442              | 3,337,795  |

**Kenya Plant Health Inspectorate Service,  
Annual Report and Financial Statements  
For the year ended June 30, 2023**

**17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

|                                                              | Notes | 2022-2023<br>Kshs '000' | 2021-2022<br>Kshs '000' |
|--------------------------------------------------------------|-------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                  |       |                         |                         |
| <b>Receipts</b>                                              |       |                         |                         |
| Public contributions and donations                           | 6     | 33,776                  | 22,611                  |
| Transfers from other governments—gifts and services-in-kind  | 7     | 151,000                 | 160,500                 |
| Rendering of services                                        | 8     | 1,334,500               | 1,250,270               |
| Hire of Facilities                                           | 9     | 7,407                   | 6,282                   |
| Finance income-external investments                          | 10    | 155                     | 155                     |
| Other income                                                 | 11    | 3,261                   | 2,766                   |
|                                                              |       | <b>1,530,100</b>        | <b>1,442,584</b>        |
| <b>Payments</b>                                              |       |                         |                         |
| Employee costs                                               | 13    | 670,616                 | 654,217                 |
| Board Expenses                                               | 14    | 31,701                  | 23,847                  |
| Repairs and maintenance                                      | 16    | 76,871                  | 70,538                  |
| Grants and subsidies                                         | 17    | 26,211                  | 25,288                  |
| General expenses                                             | 18    | 746,328                 | 662,862                 |
| Remission to National Treasury                               |       |                         | -                       |
|                                                              |       | <b>1,551,727</b>        | <b>1,436,752</b>        |
| <b>Net cash flows from operating activities</b>              |       | <b>(21,627)</b>         | <b>5,832</b>            |
| <b>Cash flows from investing activities</b>                  |       |                         |                         |
| Purchase of property, plant, equipment and intangible assets |       | (38,068)                | (50,914)                |
| Proceeds from sale of property, plant and Equipment          |       | 3,228                   | 482                     |
| Decrease/(increase) in current receivables                   |       | (27,848)                | (21,197)                |
| Decrease/(increase) inventories                              |       | 31,564                  | (37,249)                |
| Decrease/(Increase) in prepayments                           |       | 18,446                  | 17,084                  |
| (Decrease)/Increase in payables                              |       | 38,735                  | 12,597                  |
| (Decrease)/Increase Payment received in advance              |       | (1,027)                 | 833                     |
| <b>Net cash flows used in investing activities</b>           |       | <b>25,030</b>           | <b>(78,363)</b>         |
| <b>Cash flows from financing activities</b>                  |       |                         |                         |
| Proceeds from borrowings                                     |       | -                       | -                       |
| Repayment of borrowings                                      |       | -                       | -                       |
| Increase in deposits                                         |       | -                       | -                       |
| <b>Net cash flows used in financing activities</b>           |       |                         |                         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>3,402</b>            | <b>(72,531)</b>         |
| <b>Cash and cash equivalents at 30 June 2022</b>             |       | <b>23,721</b>           | <b>96,252</b>           |
| <b>Cash and cash equivalents at 30 June 2023</b>             |       | <b>27,123</b>           | <b>23,721</b>           |
| <b>Per Financial Statements</b>                              |       | <b>27,123</b>           | <b>23,721</b>           |

  
Managing Director  
Prof. Theophilus M. Mutui (Ph.D.)

Date... 24/01/2024

  
Ag. Director Corp. Services  
Mr. Bartonjo Cheptarus  
CPAK Member No. 4391

Date... 23/01/2024

  
Chairman of the Board  
HON. Joseph M'eruaki

Date... 24/01/2024

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

|                                                             | Original budget         | Adjustments             | Final budget            | Actual on comparable basis | Performance difference  | Explanation of material variances |
|-------------------------------------------------------------|-------------------------|-------------------------|-------------------------|----------------------------|-------------------------|-----------------------------------|
|                                                             | 2022-2023<br>Kshs (000) | 2022-2023<br>Kshs (000) | 2022-2023<br>Kshs (000) | 2022-2023<br>Kshs (000)    | 2022-2023<br>Kshs (000) |                                   |
| <b>Revenue</b>                                              |                         |                         |                         |                            |                         |                                   |
| <b>Revenue</b>                                              |                         |                         |                         |                            |                         |                                   |
| Public contributions and donations                          | 30,750                  | 43,250                  | 74,000                  | 73,170                     | (830)                   | -1% (a)                           |
| Transfers from other governments-gifts and services-in-kind | 160,500                 | (10,000)                | 150,500                 | 151,000                    | 500                     | 0% (b)                            |
| Rendering of services                                       | 1,355,842               | 44,178                  | 1,400,520               | 1,334,500                  | (66,020)                | -5% (c)                           |
| Other income                                                | 4,908                   | 5,092                   | 9,500                   | 9,055                      | (445)                   | -5%                               |
| <b>Total income</b>                                         | <b>1,552,000</b>        | <b>82,520</b>           | <b>1,634,520</b>        | <b>1,567,726</b>           | <b>(66,794)</b>         | <b>-4%</b> (d)                    |
| <b>Expenses</b>                                             |                         |                         |                         |                            |                         |                                   |
| Employee costs                                              | 728,100                 | (24,053)                | 675,171                 | 670,616                    | 4,555                   | 1%                                |
| Board Expenses                                              | 30,000                  | 0                       | 30,000                  | 31,701                     | (1,701)                 | -6% (e)                           |
| Depreciation and amortization expense                       | 69,036                  | 10,964                  | 80,000                  | 77,765                     | 2,235                   | 3%                                |
| Repairs and maintenance                                     | 60,924                  | 15,476                  | 76,400                  | 76,871                     | (471)                   | -1%                               |
| Grants and subsidies                                        | 30,750                  | (2,000)                 | 28,750                  | 26,211                     | 2,539                   | 9% (f)                            |
| General expenses                                            | 633,190                 | 82,133                  | 744,199                 | 746,328                    | (2,129)                 | 0%                                |
| <b>Total expenditure</b>                                    | <b>1,552,000</b>        | <b>82,520</b>           | <b>1,634,520</b>        | <b>1,629,491</b>           |                         |                                   |
| <b>Other Gains /Losses</b>                                  |                         |                         |                         | <b>(7,634)</b>             |                         |                                   |
| <b>Surplus for the period</b>                               |                         |                         |                         | <b>(69,399)</b>            |                         |                                   |

NB: Changes between the original and final budget were in line with Treasury Circular No. 15/21 which allows internal revision of the budget up to 10%.

**Explanation of material variance in statement of variance and actual comparison.**

- a) Donor funded arose from recognition of income from donor assets on revaluation. No further conditions were to be fulfilled and the projects had been completed.
- b) Difference in GOK caused by rounding downwards of Recurrent amounts receivable.
- c) In spite of 6.6%, growth in internally generated revenue the target in the budget not achieved due to reduced imports from neighbouring countries.
- d) Total targeted revenue not achieved due to factors highlighted above.
- e) The board expenditure was slightly above budget due to increased activities requiring BOD input in the financial year.
- f) Grants and subsidies relate to development partners activities. Some of the activities were still in progress by end of the financial year.

## **19. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General information**

Kenya Plant Health Inspectorate Service (KEPHIS) was established in 1996 through Legal Notice No. 305 until the enactment of Kenya Plant Health Inspectorate Service Bill, 2011 in December 2012. KEPHIS is domiciled and is a regulatory body for the protection of plants, seeds, and plant varieties.

### **2. Statement of Compliance and Basis of preparation**

The financial statements have been prepared on a historical cost basis unless stated otherwise. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the corporation's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the corporation, and all values are rounded to the nearest thousand (Ksh000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. Adoption of new and revised Standards**

Relevant new standards and amendments to published standards effective for the year ended 30 June 2023

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| Standard                                  | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IPSAS 41:</b><br>Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42: Social Benefits</b>          | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |
| <p>Other improvements to IPSAS</p>                                              | <p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2022 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>                            |

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|                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 43                                                               | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>                                                                                           |

**ii. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in year 2022/2023.

**4. Summary of significant accounting policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

***Fees***

The Corporation recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Corporation and the fair value of the asset can be measured reliably.

***Transfers from other government entities***

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

**ii) Revenue from exchange transactions**

***Rendering of services***

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

***Sale of goods***

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

***Interest income***

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

**b) Budget information**

The original budget for FY 2022-2023 was approved by the National Assembly on 30<sup>th</sup> March 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriation on the 2022-2023 budget.

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

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

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

**c) Taxes**

Government grant is not subject to tax. The Corporation just like the Ministries of Government, operates on non-commercial basis. Surpluses are necessarily already utilized on purchase of assets. In addition, surplus relates to GOK grant.

**d) Property, plant and equipment**

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

The depreciable amounts of assets (cost or valuation amount less residual value) are allocated over the estimated useful life of the assets. Depreciation is calculated on the straight-line method. Depreciation is applied on pro rata basis for assets acquired i.e. from

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month of acquisition. Assets disposed of during the year are not depreciated. In the financial year 2022, the organisation valued its assets and adopted the asset and Liability policy. Depreciation rate of assets has been adjusted in the financial year to be in tandem with the policy;

The Corporation now applies the following rates of depreciation:

|                                                        |                 |
|--------------------------------------------------------|-----------------|
| • Freehold land – nil                                  | No Change       |
| • Buildings 2%                                         | No Change       |
| • Plant and Machinery 12.5%                            | No Change       |
| • Motor Vehicles 16.67% & 10% for vehicles over 4500cc | Prior was 25%   |
| • Office Equipment 12.5%                               | No Change       |
| • Furniture and fixtures 12.5%                         | No Change       |
| • Laboratory Equipment 12.5%                           | No Change       |
| • Computers & Accessories 30%                          | Prior was 33.3% |
| •                                                      |                 |

The residual values were retained as follows:

- Plant and Machinery 10%
- Motor Vehicles 10%
- Furniture and Fixtures 5%
- Laboratory Equipment 5%
- Computers and Accessories 5%
- Office Equipment 5%

**e) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Corporation. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**f) Intangible assets**

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

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

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**g) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

The technical feasibility of completing the asset so that the asset will be available for use or sale

Its intention to complete and its ability to use or sell the asset

How the asset will generate future economic benefits or service potential

The availability of resources to complete the asset

The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**h) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on

acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized as surplus or deficit.

#### ***Impairment of financial assets***

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

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

#### **i) Financial liabilities**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**j) Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**k) Inventories**

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

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

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

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

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

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

## **Provisions**

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

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

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

### ***Contingent liabilities***

The Corporation 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.

### ***Contingent assets***

The Corporation does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation 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.

## **i) Nature and purpose of reserves**

The Corporation creates and maintains reserves in terms of specific requirements. The corporation maintains two reserves namely, retained earnings reserve and revaluation reserve. The revaluation reserve of Kshs. 2,189,158,285.00 reflected in the financial statements arose out of revaluation of corporation assets while the retained earnings reserve have a balance of Kshs. 766,841,672.46 arising out of accumulated surplus since inception.

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**Changes in accounting policies and estimates**

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

**j) Employee benefits**

**Retirement benefit plans**

The Corporation provides defined contribution plan under which it pays fixed contributions into a separate Corporation (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income as employee emoluments in the year in which they become payable.

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June 2022 was Kshs. 107.85. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**l) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**m) Related parties**

The Corporation regards a related party as a person or an entity with the ability to exert control individually or jointly or exercise significant influence over it, or vice versa. Members of the Board or Directors are regarded as parties.

**n) Service concession arrangements**

The Corporation analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, KEPHIS recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**o) Cash and cash equivalents**

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

**p) Comparative figures**

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

**q) 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 June 30, 2023.

**5. Significant judgments and Sources of estimation uncertainty**

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

**Estimates and Assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

Provisions were determined on consideration of relevant factors affecting receivables and in line with the organizational policies and procedures. General provision for doubtful debts was maintained at 7.5% and 100% for all debts over three years.

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**6. Public contributions and donations**

| Description                                                | 2022-2023     | 2021-2022     |
|------------------------------------------------------------|---------------|---------------|
|                                                            | Kshs 000      | Kshs 000      |
| Project grant COPE                                         | 20,722        | 13,903        |
| COMESA/RIIP                                                | 9,000         | 7,000         |
| SASHA II/Prebasic seed revolving fund                      |               | -             |
| EU-SMAP                                                    |               | 5             |
| CIP Pre-Basic revolving Fund                               |               | 72            |
| CIP Ralstonia                                              | 79            | -             |
| USAID foodscap                                             |               | -             |
| Natural History Museum                                     |               | 427           |
| IITA cassava Rap                                           |               | -             |
| STDF/COMESA                                                |               | -             |
| CIMMYT                                                     | 2,064         | 67            |
| CABI Papaya Mealy Bug                                      | 1,911         | -             |
| Gattsby Africa                                             |               | 1,136         |
| <b>Total Transfers and sponsorship</b>                     | <b>33,776</b> | <b>22,611</b> |
| <b>Reconciliation of public contribution and donations</b> |               |               |
| Balance unspent at the beginning of the year               | 57,197        | 79,685        |
| Current year receipts                                      | 33,776        | 22,611        |
| Condition met-transferred to revenue                       | (73,170)      | (45,099)      |
| <b>Condition to be met -remain liabilities</b>             | <b>17,803</b> | <b>57,197</b> |

These funds are received from various development partners and stakeholders.

**7. Transfers from other governments**

**a) Grant**

| Description                                  | 2022-2023      | 2021-2022      |
|----------------------------------------------|----------------|----------------|
|                                              | Kshs 000       | Kshs 000       |
| <b>Unconditional grants</b>                  |                |                |
| Operational grant                            | 151,000        | 160,500        |
| Other                                        |                |                |
|                                              | <b>151,000</b> | <b>160,500</b> |
| <b>Conditional grants</b>                    |                |                |
| Development Grant                            |                | -              |
| <b>Total government grants and subsidies</b> | <b>151,000</b> | <b>160,500</b> |

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**b) Transfers from Ministries, Departments and Agencies (MDAs)**

| Name of the Entity sending the grant                                         | Amount recognized to Statement of Financial Performance | Amount deferred under deferred income | Amount recognized in capital fund. | Total transfers 2022-22 | 2022-2023      |
|------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------|------------------------------------|-------------------------|----------------|
|                                                                              | Kshs                                                    | Kshs                                  | Kshs                               | Kshs                    | Kshs           |
| Ministry of Agriculture Livestock and Fisheries/State department of Research | 151,000                                                 | -                                     | -                                  | -                       | 151,000        |
| <b>Total</b>                                                                 | <b>151,000</b>                                          | <b>-</b>                              | <b>-</b>                           | <b>-</b>                | <b>151,000</b> |

**8. Rendering of services**

| Description   |                                  | 2022-2023 | 2021-2022 |
|---------------|----------------------------------|-----------|-----------|
| Department    | Section                          | KShs 000  | KShs 000  |
| Phytosanitary | JKIA Plant Inspection Unit       | 358,215   | 335,990   |
|               | Plant Quarantine Station Muguga  | 19,535    | 27,837    |
|               | Namanga Border Post              | 74,061    | 114,696   |
|               | Loitokitok Border Post           | 43,436    | 41,926    |
|               | ICD Nairobi                      | 7,986     | 4,758     |
|               | Headquaters Phytosanitary        | 15,916    | 11,328    |
|               | Headquaters Molecular Laboratory | 3,364     | 5,667     |
|               | Mombasa Chief Grader             | 317,828   | 154,941   |
|               | Shimoni                          |           | 51        |
|               | Lungalunga Boarder Post          | 16,118    | 42,369    |
|               | Taveta Border Post               | 18,682    | 43,726    |
|               | Bura Station                     | 58        | 143       |
|               | Naivasha                         | 14,048    | 12,193    |
|               | Kisumu Main Office               | 6,983     | 10,764    |
|               | Busia Border Post                | 48,908    | 56,152    |
|               | Isebania Border Post             | 9,670     | 30,706    |
|               | Embu Regional Office             | 9,059     | 11,163    |
|               | Moyale Border Post               | 20,514    | 7,703     |
|               | Timau Station                    | 7,082     | 5,666     |

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| Description                                         |                                         | 2022-2023        | 2021-2022        |
|-----------------------------------------------------|-----------------------------------------|------------------|------------------|
| Department                                          | Section                                 | KShs 000         | KShs 000         |
|                                                     | Nyeri                                   | 1,831            | 1,179            |
|                                                     | <b>Total Phytosanitary Revenue</b>      | <b>993,294</b>   | <b>918,956</b>   |
| Seed Certification                                  | Headquarters Seed Section               | 41,116           | 43,916           |
|                                                     | Nakuru Main Office                      | 59,418           | 62,586           |
|                                                     | Kitale Main office                      | 100,185          | 99,973           |
|                                                     | Malaba Border Post                      | 65,236           | 62,627           |
|                                                     | Eldoret Station                         | 2,534            | 3,178            |
|                                                     | Swam                                    | 1,774            | 506              |
|                                                     | Lwakhakha                               | 14,867           | 3,930            |
|                                                     | <b>Total Seed Certification Revenue</b> | <b>285,131</b>   | <b>276,715</b>   |
| Plant Variety Services                              |                                         | 30,684           | 21,651           |
| Analytical Laboratory Services                      | Headquarters                            | 25,392           | 32,948           |
| <b>Total revenue from the rendering of services</b> |                                         | <b>1,334,500</b> | <b>1,250,270</b> |

**9. Rental revenue from facilities**

| Description                  | 2022-2023    | 2021-2022    |
|------------------------------|--------------|--------------|
|                              | Kshs 000     | Kshs 000     |
| Conference and Accommodation | 7,407        | 6,282        |
| <b>Total rentals</b>         | <b>7,407</b> | <b>6,282</b> |

The revenue is generated from fees charged for use of the corporation's conference and accommodation facility at the headquarters.

**10. Finance income**

| Description                                        | 2022-2023  | 2021-2022  |
|----------------------------------------------------|------------|------------|
|                                                    | Kshs 000   | Kshs 000   |
| Interest from Mortgage Deposit and other deposits  | 155        | 155        |
| <b>Total finance income – external investments</b> | <b>155</b> | <b>155</b> |
| Interest Received                                  | 0          | 0          |
| Interest receivable                                | 155        | 155        |
| <b>Total Interest receivable</b>                   | <b>155</b> | <b>155</b> |

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This is revenue from staff mortgage fund and interest negotiated current account

**11. Other income**

|                           | 2022 - 2023  | 2021 - 2022  |
|---------------------------|--------------|--------------|
|                           | Kshs 000     | Kshs 000     |
| Miscellaneous receipts    | 1,493        | 1,536        |
| <b>Total other income</b> | <b>1,493</b> | <b>1,536</b> |

Incomes received from rented houses in Headquarters, Nakuru and Kitale and income from Safaricom Masts.

**12. Employee costs**

|                                      | 2022 - 2023    | 2021 - 2022    |
|--------------------------------------|----------------|----------------|
|                                      | Kshs 000       | Kshs 000       |
| Basic Salary                         | 308,489        | 312,496        |
| Casual Labour                        | 80,172         | 63,889         |
| Gratuity and Pension                 | 46,174         | 49,648         |
| House Allowance                      | 108,296        | 110,268        |
| Transfer Allowance                   | 220            | 1,265          |
| Other Personal Allowances            | 11,736         | 47,643         |
| Overtime Allowance                   | 2,710          | 2,272          |
| Passage & Leave Expenditure          | 3,886          | 4,222          |
| Medical Expenses                     | 63,655         | 56,124         |
| Staff life and accident cover        | 5,373          | 6,390          |
| Staff Counselling & support services |                | -              |
| <b>Total employee cost</b>           | <b>670,616</b> | <b>654,217</b> |

**13. Remuneration of directors**

| Description                      | 2022 - 2023   | 2021 - 2022   |
|----------------------------------|---------------|---------------|
|                                  | Kshs 000      | Kshs 000      |
| Medical Expenses                 | 875           | 1,123         |
| Board Committees and Seminars    | 29,816        | 21,810        |
| Chairman's Honoraria             | 1,010         | 914           |
| <b>Total director emoluments</b> | <b>31,701</b> | <b>23,847</b> |

**14. Depreciation and amortization expense**

| Description                                | 2022 - 2023   | 2021 - 2022   |
|--------------------------------------------|---------------|---------------|
|                                            | Kshs 000      | Kshs 000      |
| Property, plant and equipment              | 77,765        | 94,891        |
| <b>Total depreciation and amortization</b> | <b>77,765</b> | <b>94,891</b> |

**15. Repairs and maintenance**

| Description                                | 2022 - 2023   | 2021 - 2022   |
|--------------------------------------------|---------------|---------------|
|                                            | Kshs 000      | Kshs 000      |
| Maintenance of Motor Vehicle               | 35,368        | 35,621        |
| Maintenance of Plant Machinery & Equipment | 20,436        | 14,892        |
| Maintenance of Buildings and stations      | 21,067        | 20,025        |
| <b>Total depreciation and amortization</b> | <b>76,871</b> | <b>70,538</b> |

**16. Grants and subsidies**

| Description                            | 2022-2023     | 2021 - 2022   |
|----------------------------------------|---------------|---------------|
|                                        | Kshs 000      | Kshs 000      |
| Project grant COPE                     | 10,534        | 13,490        |
| ASSIP -K                               |               | 81            |
| COMESA/RIIP                            | 11,093        | 9,219         |
| SASHA II/Prebasic seed fund            |               | 717           |
| Agri experience                        |               | -             |
| Darwin Papaya Mealy Bug                | 1,583         |               |
| CIMMYT                                 |               |               |
| USAID Foodscap                         | 1,857         | 377           |
| Natural History Museum                 |               |               |
| TMEA                                   |               |               |
| <b>Total Transfers and sponsorship</b> | <b>26,211</b> | <b>25,288</b> |

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**17. General expenses**

| Description                                             | 2022-2023      | 2021 - 2022    |
|---------------------------------------------------------|----------------|----------------|
|                                                         | Kshs 000       | Kshs 000       |
| Electricity                                             | 18,884         | 19,797         |
| Water & Conservancy                                     | 1,025          | 1,020          |
| Telephone                                               | 5,333          | 4,317          |
| Postal & Courier                                        | 3,926          | 5,194          |
| Internet Services                                       | 15,861         | 19,760         |
| Local travel & Accommodation                            | 285,590        | 278,068        |
| External Travel                                         | 30,745         | 22,421         |
| Publishing & printing                                   | 91,164         | 45,776         |
| Advertising & publicity                                 | 3,901          | 3,306          |
| Trade shows & Exhibitions                               | 12,474         | 10,089         |
| Rents & Rates                                           | 9,040          | 8,017          |
| Hire of transport                                       | 1,373          | 1,353          |
| Training (stakeholders)                                 | 5,105          | 6,832          |
| Catering services                                       | 8,579          | 6,892          |
| Insurance premiums - vehicles & other assets            | 6,679          | 5,582          |
| Laboratory stores                                       | 27,695         | 32,781         |
| Education & library                                     | 2,222          | 1,817          |
| Uniform & clothing                                      | 3,131          | 2,203          |
| Purchases of NPT DUS PC and farm inputs                 | 10,426         | 7,189          |
| General office supplies and Stationery                  | 18,692         | 12,756         |
| Supply and accessories for computers and Printers       | 31,409         | 27,170         |
| Fuel & lubricants                                       | 46,344         | 34,045         |
| Bank Charges                                            | 4,531          | 4,941          |
| Guards & cleaning services                              | 31,171         | 30,807         |
| Contracted professional services                        | 15,345         | 16,772         |
| Others - Miscellaneous                                  | 568            | 836            |
| Contribution to private and international organisations | 6,800          | 3,703          |
| Farmers demos & field day food & ration                 | 36,473         | 33,444         |
| Audit fees                                              | 2,883          | 1,922          |
| Compensation and ex-gratia                              | -              | 865            |
| Corporate social responsibility                         | 453            | 901            |
| Staff Training                                          | 8,505          | 12,299         |
| <b>Total General Expenditure</b>                        | <b>746,328</b> | <b>662,862</b> |

18. Gain on sale of Assets

| Description         | 2022-2023      | 2021 - 2022 |
|---------------------|----------------|-------------|
|                     | Kshs 000       | Kshs 000    |
| Motor Vehicles      | (2,602)        | 393         |
| Office Equipment    | -              | -           |
| Furniture & Fitting | -              | -           |
| <b>Total gain</b>   | <b>(2,602)</b> | <b>393</b>  |

19. Gain on foreign exchange

| Description                        | 2022-2023    | 2021 - 2022  |
|------------------------------------|--------------|--------------|
|                                    | Kshs 000     | Kshs 000     |
| <b>Realised Exchange Gain/loss</b> | <b>1,768</b> | <b>1,230</b> |

20. Detailed Analysis of the Cash and Cash Equivalents

| Institution             | Description           | Account Number | 2022-2023     | 2021-2022     |
|-------------------------|-----------------------|----------------|---------------|---------------|
|                         |                       |                | Kshs 000      | Kshs 000      |
| <b>Current accounts</b> |                       |                |               |               |
| CBA                     | KEPHIS USAID          | 6523810022     | 85            | 1,862         |
| KCB                     | KEPHIS                | 1108285430     | 2,622         | 4,544         |
| KCB                     | KEPHIS                | 1108285678     | 3,281         | 3,261         |
| KCB                     | KEPHIS(Dollar)        | 1104843269     | 943           | 2,747         |
| KCB                     | Kephis-Assip          | 1138298948     | 289           | 290           |
| KCB                     | Kephis-Cope           | 1130043959     | 7,059         | 2,762         |
| KCB                     | Kephis sinking Fund   | 1128368366     | 130           | 131           |
| KCB                     | Kephis EAAPP Project  | 1121039685     | 259           | 260           |
| NBK                     | Kephis                | 1001017146200  | 9             | 9             |
| NIC                     | EU Smap               | 1001569364     | 5             | 5             |
| CBA                     | Kephis JKIA           | 6523810017     | 5,328         | 4,382         |
|                         | MPESA                 |                | 4,784         | 1,338         |
|                         |                       |                | <b>24,794</b> | <b>21,593</b> |
| KCB                     | Kephis Kisumu         | 1104038307     | 106           | 185           |
| KCB                     | Kephis Kitale         | 1108814093     | -11           | 143           |
| KCB                     | Kephis Mombasa Office | 1101574712     | 1,199         | 16            |
| KCB                     | Kephis Naivasha       | 1121954359     | 12            | 27            |
| KCB                     | Kephis Nakuru         | 1101844876     | 2             | 78            |

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| Institution                            | Description             | Account Number | 2022-2023     | 2021-2022     |
|----------------------------------------|-------------------------|----------------|---------------|---------------|
|                                        |                         |                | Kshs 000      | Kshs 000      |
| KCB                                    | Kephis Plant Quarantine | 1107093724     | -5            | 17            |
| KCB                                    | JKIA                    |                |               |               |
| KCB                                    | Kephis Embu             | 1102966649     | 38            | 65            |
|                                        |                         |                | 5             | 3             |
|                                        | Un-deposited funds      |                | 1,345         | 534           |
| <b>Total cash and cash equivalents</b> |                         |                | 984           | 1,593         |
|                                        |                         |                | <b>27,123</b> | <b>23,721</b> |

**21. Receivables from Exchange Transactions**

| Description                      | 2022-2023      | 2021-2022      |
|----------------------------------|----------------|----------------|
|                                  | Kshs 000       | Kshs 000       |
| <b>Current receivables</b>       |                |                |
| Service debtors                  |                |                |
|                                  | 176,578        | 163,064        |
| Less: impairment allowance       | 30,715         | (24,682)       |
| <b>Total current receivables</b> | <b>145,862</b> | <b>138,383</b> |

**22. Impairment Allowance computation**

| 0-30 Days | 30-90 Days | 90-365 Days | I -3yrs   | Over 3yrs  | TOTAL             |
|-----------|------------|-------------|-----------|------------|-------------------|
| 7.5%      | 7.5%       | 7.5%        | 7.5%      | 100%       |                   |
| 6,683,775 | 1,429,149  | 3,042,831   | 1,739,683 | 18,888,736 | <b>30,715,423</b> |

**23. Receivables from Non-Exchange Transactions**

| Description                         | 2022-2023     | 2021-2022    |
|-------------------------------------|---------------|--------------|
|                                     | Kshs 000      | Kshs 000     |
| <b>Current receivables</b>          |               |              |
| Staff advances                      |               |              |
| Interest receivable                 | 78            | 36           |
| Medical Advance                     | 2,165         | 2,099        |
| MOA-June Recurrent Grant receivable | 3,152         | 3,176        |
| <b>Total current receivables</b>    | <b>14,250</b> | <b>-</b>     |
|                                     | <b>19,645</b> | <b>5,311</b> |

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**24. Inventories**

| Description | 2022-2023 | 2021-2022 |
|-------------|-----------|-----------|
|             | Kshs 000  | Kshs 000  |
| Inventories | 31,611    | 63,175    |

**25. Prepayments**

| Description              | 2022-2023     | 2021-2022     |
|--------------------------|---------------|---------------|
|                          | Kshs 000      | Kshs 000      |
| Prepayment Supplies      | 26,981        | 43,008        |
| Deposit Supplies         | 9,582         | 10,666        |
| Travel Imprest           | 774           | 2,109         |
| <b>Total Prepayments</b> | <b>37,337</b> | <b>55,784</b> |

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**26. Property, plant and equipment**

| COST OR VALUATION                | LAND<br>Shs. '000' | BUILDINGS<br>Shs. '000' | PLANT<br>AND<br>MACHINERY<br>Shs. '000' | MOTOR<br>VEHICLES<br>Shs. '000' | COMPUTERS<br>AND<br>ACCESSORIES<br>Shs. '000' | OFFICE<br>EQUIPMENT<br>Shs. '000' | FURNITURE<br>AND<br>FITTINGS<br>Shs. '000' | LABORATORY<br>EQUIPMENTS<br>Shs. '000' | WIP<br>Shs. '000' | TOTALS<br>Shs. '000' |
|----------------------------------|--------------------|-------------------------|-----------------------------------------|---------------------------------|-----------------------------------------------|-----------------------------------|--------------------------------------------|----------------------------------------|-------------------|----------------------|
| Net Book Value at 30th June 2022 | 264,666            | 501,946                 | 18,764                                  | 83,495                          | 28,937                                        | 13,991                            | 6,990                                      | 136,292                                | 17,502            | 1,072,583            |
| Revalued as at 1st July 2022     | 2,350,450          | 426,900                 | 19,513                                  | 168,672                         | 37,552                                        | 8,568                             | 8,717                                      | 223,868                                | 17,502            | 3,261,741            |
| Additions                        | -                  | -                       | 3,010                                   | -                               | 15,430                                        | 5,647                             | 3,145                                      | 10,836                                 | -                 | 38,068               |
| Transfer                         | -                  | -                       | -                                       | -                               | -                                             | -                                 | -                                          | -                                      | -                 | -                    |
| Disposal                         | -                  | -                       | -                                       | -                               | -                                             | -                                 | -                                          | -                                      | -                 | -                    |
| Assets as At 30th June 2023      | 2,350,450          | 426,900                 | 22,523                                  | 162,768                         | 52,982                                        | 14,215                            | 11,862                                     | 234,703                                | 17,502            | 3,293,905            |
| Depreciation charge              | -                  | 8,538                   | 3,147                                   | 24,230                          | 12,368                                        | 1,205                             | 1,301                                      | 26,977                                 | -                 | 77,765               |
| Net Book Value at 30th June 2023 | 2,350,450          | 418,362                 | 19,376                                  | 138,538                         | 40,615                                        | 13,010                            | 10,561                                     | 207,727                                | 17,502            | 3,216,140            |
|                                  |                    |                         |                                         |                                 |                                               |                                   |                                            |                                        |                   | (5,904)              |

- Proland Valuers undertook current valuation on assets. All asset categories as per above were valued in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30th June 2020). These amounts were adopted from 1st July 2023. Prior valuation was by CB Richard Ellis in November 2009. Valuation base was Open Market Value.
- On revaluation, donated assets of Kshs 46.9 million were fully recognised and have the market value (revaluation amount).
- WIP constitutes Capital Expenditure on Intangible Asset (Seed system and IEICS system)

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**27. Intangible Assets**

| Description               | 2022-2023     | 2021-2022     |
|---------------------------|---------------|---------------|
|                           | Kshs          | Kshs          |
| <b>Cost</b>               |               |               |
| At beginning of the year  | 17,502        | 17,502        |
| Additions                 | -             | -             |
| <b>At end of the year</b> | <b>17,502</b> | <b>17,502</b> |

This is for a Seed system and IEICS system supported by Trade- Mark East Africa.

**28. Investment Property**

| Description               | 2022-2023     | 2021-2022     |
|---------------------------|---------------|---------------|
|                           | Kshs 000      | Kshs 000      |
| At beginning of the year  | 60,000        | 60,000        |
| Additions                 | -             | -             |
| Depreciation              | -             | -             |
| <b>At end of the year</b> | <b>60,000</b> | <b>60,000</b> |

The investment is a deposit at Kenya Commercial Bank of Kshs 60 million to finance staff mortgage that was established in 2009.

| Financial Performance for Investment | 2022-2023  |
|--------------------------------------|------------|
|                                      | Kshs 000   |
| Interest Receipts                    | 155        |
| <b>Surplus</b>                       | <b>155</b> |

| Financial Position for Investment               | 2022-2023     |
|-------------------------------------------------|---------------|
|                                                 | Kshs 000      |
| Cash and Cash equivalent                        | -             |
| Interest Receivable                             | 2,165         |
| <b>Total Current Assets</b>                     | <b>2,165</b>  |
| <b>Non-Current Assets</b>                       |               |
| Long term receivable from exchange transactions | 60,000        |
| <b>Net Assets</b>                               | <b>62,165</b> |
| Capital Fund                                    | 60,000        |
| Accumulated Surplus                             | 2,165         |
| <b>Total Net assets &amp; Liabilities</b>       | <b>62,165</b> |

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**29. Trade and other payables from exchange transactions**

| Description      | 2022-2023      | 2021-2022      |
|------------------|----------------|----------------|
|                  | Kshs 000       | Kshs 000       |
| Trade Creditors  | 115,539        | 94,789         |
| Sundry Creditors | 44,733         | 31,048         |
| Tax Liability    | 5,016          | 717            |
| <b>Totals</b>    | <b>165,287</b> | <b>126,555</b> |

**Aged Schedule for Payables in Kshs.**

|                  | Current           | 0-30 Days         | 31-60 Days        | 61-90 Days        | Over 90 Days      | TOTAL              |
|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|                  | KShs              | KShs              | KShs              | KShs              | KShs              | KShs               |
| Trade Creditors  | 28,769,229        | 28,733,141        | 19,125,191        | 12,983,788        | 25,927,159        | 115,538,509        |
| Sundry Creditors | 655,806           | 20,339,595        | 11,391,618        | 8,530,325         | 3,815,293         | 44,732,636         |
| Tax Liability    | 5,016,000         | -                 | -                 | -                 | -                 | 5,016,000          |
|                  | <b>34,441,035</b> | <b>49,072,736</b> | <b>30,516,809</b> | <b>21,514,113</b> | <b>29,742,452</b> | <b>165,287,144</b> |

**30. Current provisions**

| Description                                     | 2022-2023     | 2021-2022     |
|-------------------------------------------------|---------------|---------------|
|                                                 | Kshs 000      | Kshs 000      |
| <b>Audit fee Provision</b>                      |               |               |
| Balance at the beginning of the year            | 1,922         | 2,883         |
| Additional Provisions                           | 1,922         | 961           |
| Provision utilised                              | 1,922         | 1,922         |
| Change due to discount and time value for money | -             | -             |
| Transfers from non -current provisions          | -             | -             |
| <b>Balance at the end of the year</b>           | <b>1,922</b>  | <b>1,922</b>  |
| <b>Provision for Doubtful Debt</b>              |               |               |
| Balance at the beginning of the year            | 24,681        | 19,498        |
| Additional provision                            | 6,034         | 5,193         |
| Change due to discount and time value for money | -             | -             |
| <b>Balance at the end of the year</b>           | <b>30,715</b> | <b>24,681</b> |
| <b>Provision for Gratuity</b>                   |               |               |
| Balance at the beginning of the year            | 2,803         | 2,689         |
| Additional provision                            | 755           | 114           |

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|                                                 |              |              |
|-------------------------------------------------|--------------|--------------|
| Change due to discount and time value for money | -            | -            |
| <b>Balance at the end of the year</b>           | <b>3,558</b> | <b>2,803</b> |
| <b>Ex-gratia Provision</b>                      |              |              |
| Balance at the beginning of the year            | 2,969        | 2,969        |
| Additional provision                            | -            | -            |
| Change due to discount and time value for money | -            | -            |
| <b>Balance at the end of the year</b>           | <b>2,969</b> | <b>2,969</b> |
| <b>Salary Advance Provision</b>                 |              |              |
| Balance at the beginning of the year            | 0            | -            |
| Additional provision                            | 11           | -            |
| Change due to discount and time value for money |              | -            |
| <b>Balance at the end of the year</b>           | <b>11</b>    | <b>-</b>     |
| <b>Total Provision (1,922+3558+2969+11)</b>     | <b>8,459</b> | <b>7,693</b> |
| <b>Change in provision (6034+755+11)</b>        | <b>7,761</b> | <b>4,346</b> |

**31. Deferred income**

| Description                        | 2022-2023<br>Kshs 000 | 2021-2022<br>Kshs 000 |
|------------------------------------|-----------------------|-----------------------|
| Public contributions and donations | 17,803                | 10,238                |
| Donated assets                     | -                     | 49,960                |
| <b>Total deferred income</b>       | <b>17,803</b>         | <b>57,198</b>         |

The deferred movement is as follows.

| Public contributions and donations |          |
|------------------------------------|----------|
| Balance brought forward            | 57,198   |
| Additions                          | 33,776   |
| Transfers to Capital fund          | -        |
| Transfers to income statement      | (26,211) |
| Transfer to depreciation           | (46,960) |
| Balance carried forward            | 17,803   |

**32. Payment Received in Advance**

| Description          | 2022-2023<br>Kshs 000 | 2021-2022<br>Kshs 000 |
|----------------------|-----------------------|-----------------------|
| Prepayment Liability | 8,447                 | 9,474                 |

## **20. FINANCIAL RISK MANAGEMENT**

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

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

### **(i) Credit risk**

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

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

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

|                                            | <b>Total<br/>amount<br/>Kshs.<br/>'000'</b> | <b>Fully<br/>performing<br/>Kshs.<br/>'000'</b> | <b>Past<br/>due<br/>Kshs.<br/>'000'</b> | <b>Impaired<br/>Kshs.<br/>'000'</b> |
|--------------------------------------------|---------------------------------------------|-------------------------------------------------|-----------------------------------------|-------------------------------------|
| <b>At 30 June 2022</b>                     |                                             |                                                 |                                         |                                     |
| Receivables from exchange transactions     | 140,939                                     | 131,317                                         | 9,622                                   | 19,488                              |
| Receivables from non-exchange transactions | 6,239                                       | 6,239                                           | -                                       | -                                   |
| <b>Total</b>                               | <b>147,178</b>                              | <b>137,556</b>                                  | <b>9,622</b>                            | <b>19,488</b>                       |
| <b>At 30 June 2023</b>                     |                                             |                                                 |                                         |                                     |
| Receivables from exchange transactions     | 176,578                                     | 157,690                                         | 18,888                                  | 30,715                              |
| Receivables from non-exchange transactions | 19,633                                      | 19,633                                          | -                                       | -                                   |
| <b>Total</b>                               | <b>196,211</b>                              | <b>177,323</b>                                  | <b>18,888</b>                           | <b>30,715</b>                       |

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

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

**(ii) Liquidity risk management**

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

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

|                             | Less than<br>1 month | Between<br>1-3<br>months | Between<br>3-5<br>Months | Over 5<br>months | Total          |
|-----------------------------|----------------------|--------------------------|--------------------------|------------------|----------------|
|                             | Kshs<br>000          | Kshs<br>000              | Kshs<br>000              | Kshs<br>000      | Kshs<br>000    |
| <b>At 30 June 2022</b>      |                      |                          |                          |                  |                |
| Trade payables              | 84,185               | 5,912                    | 2,725                    | 592              | 93,414         |
| Provisions                  | 961                  | -                        | -                        | 1,922            | 2,883          |
| Deferred income             | 79,685               | -                        | -                        | -                | 79,685         |
| Employee benefit obligation | 19,556               | -                        | -                        | -                | 19,556         |
| <b>Total</b>                | <b>184,387</b>       | <b>5,912</b>             | <b>2,725</b>             | <b>2,514</b>     | <b>195,538</b> |
| <b>At 30 June 2023</b>      |                      |                          |                          |                  |                |
| Trade payables              | 57,504               | 32,108                   | 25,927                   | -                | 115,539        |
| Provisions                  | 8,459                | -                        | -                        | -                | 8,459          |
| Deferred income             | 17,803               | -                        | -                        | -                | 17,803         |
| Employee benefit obligation | 18,828               | 19,681                   | 3,785                    | -                | 42,304         |
| <b>Total</b>                | <b>102,594</b>       | <b>51,789</b>            | <b>29,712</b>            | <b>-</b>         | <b>184,105</b> |

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

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

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

|                                               | <b>Ksh</b>      | <b>Other currencies</b> | <b>Total</b>    |
|-----------------------------------------------|-----------------|-------------------------|-----------------|
|                                               | <b>Kshs 000</b> | <b>Kshs 000</b>         | <b>Kshs 000</b> |
| <b>At 30 June 2023</b>                        |                 |                         |                 |
| <b>Financial assets</b>                       |                 |                         |                 |
| Cash                                          | 26,180          | 943                     | 27,123          |
| Debtors                                       | 158,017         | 18,561                  | 176,578         |
| <b>Total financial assets</b>                 | <b>184,197</b>  | <b>19,504</b>           | <b>203,701</b>  |
| <b>Financial Liabilities</b>                  |                 |                         |                 |
| Trade and other payables                      | 163,882         | 1,405                   | 165,287         |
| <b>Total financial liabilities</b>            | <b>163,882</b>  | <b>1,405</b>            | <b>165,287</b>  |
| <b>Net foreign currency asset/(liability)</b> | <b>20,315</b>   | <b>18,099</b>           | <b>38,414</b>   |

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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**b) Interest rate risk**

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

**Management of interest rate risk**

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

**iv) Capital Risk Management**

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

|                                             | 2022-2023        | 2021-2022        |
|---------------------------------------------|------------------|------------------|
|                                             | Kshs 000         | Kshs 000         |
| Revaluation reserve                         | 2,640,353        | 451,194          |
| Retained earnings                           | 766,842          | 837,366          |
| <b>Total funds</b>                          | <b>3,407,194</b> | <b>1,288,560</b> |
| Total borrowings                            | 199,996          | 200,920          |
| Less: cash and bank balances                | (27,123)         | (23,721)         |
| Net debt/(excess cash and cash equivalents) | 172,873          | 177,199          |
| <b>Gearing</b>                              | <b>0.05</b>      | <b>0.14</b>      |

**21. RELATED PARTY BALANCES**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of KEPHIS holding 100% of equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Agriculture Livestock and Fisheries;
- iii) Key management;
- iv) Board of directors

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|                                          | 2022-2023      | 2021-2022      |
|------------------------------------------|----------------|----------------|
|                                          | Kshs 000       | Kshs 000       |
| <b>Transactions with related parties</b> |                |                |
| <b>a) Grants from the Government</b>     |                |                |
| Grants from National Govt                | 151,000        | 160,500        |
| <b>Total</b>                             | <b>151,000</b> | <b>160,500</b> |
| <b>b) Key management compensation</b>    |                |                |
| Directors' emoluments                    | 30,826         | 23,847         |
| Compensation to the CEO                  | 6,683          | 5,947          |
| Compensation to key management           | 14,672         | 12,636         |
| <b>Total</b>                             | <b>52,181</b>  | <b>48,333</b>  |

#### **4. Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *In line with this legal requirement KEPHIS did not make any surplus during the year (FY 2022/23) and hence no remittance has been made to the Consolidated Fund.*

#### **5. Events after the Reporting Period**

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

#### **6. Ultimate and Holding Entity**

KEPHIS is a State Corporation under the Ministry of Agriculture Livestock and Fisheries. Its ultimate parent is the Government of Kenya.

#### **7. Currency**

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

## PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Following is the summary of issues raised by the external auditor, and management comments 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 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)                        |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|                                        | Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers | Muguga and Nakuru land are not in dispute and are part of larger parcels held by KALRO. The Corporation engaged KALRO on the issue of the parcels. Muguga land has been subdivided awaiting transfer to KEPHIS, while on the Nakuru land discussions have been held between the two institutions and a scheme plan drawn to pave way for survey and subdivision. The process is still ongoing.<br><br>Regarding Kitale land, the Corporation has over the years made a lot of effort to obtain title for the | Prof. Theophilus M. Mutui(Ph.D.)<br>Managing Director          | Not resolved by the date of submitting this report to the Office of the Auditor General | Not possible to project since there are other key stakeholders involved in the process. |