

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 MAR 2024

DAY: TUESDAY

TABLED BY: Hon Owen Baya, mp
Deputy Leader, majority party

CLERK AT THE TABLE: Inzoti Mwale

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THE AUDITOR-GENERAL

ON

**WAREHOUSE RECEIPT SYSTEM
COUNCIL**

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



WAREHOUSE
RECEIPT SYSTEM
COUNCIL

WAREHOUSE RECEIPT SYSTEM COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

**Warehouse Receipt System Council
Annual Report and Financial Statements
For the year ended June 30, 2023.**

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

AFA	Agriculture and Food Authority
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPCK	Pyrethrum Processing Company of Kenya
PPE	Property Plant & Equipment
PPADA	Public Procurement and Asset Disposal Act
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
WR	Warehouse Receipt
WRS	Warehouse Receipt System

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

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2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The **Warehouse Receipt System Council** was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019. Following H.E. the President's Executive Order NO. 1 of 2023, at Cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Investment Trade and Industry, who is responsible for the general policy and strategic direction of the **Warehouse Receipt System Council**.

(b) Principal Activities

The principal activity/mission of the **Warehouse Receipt System Council** is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

Vision - A Transformed and structured agricultural commodity trade

Mission - To establish, develop and maintain a premier Warehouse Receipt System for Agricultural Commodities

(c) Key Management

The Council's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Board of Directors/ Council	Felicity Nkirote Biriri – Chairperson Charles Njoroge Beatrice Nyamwamu Emmah Mburu Eng. Kipkurui Murgor Eng. Kennedy Makudih Michael Muturi
2.	Chief Executive Officer/Registrar	Lucy Komen
3.	Management	Leonard Mwashuma Gilbert Nyakundi Jacqueline Odundo Cecilia Muthoni Joel Osodo Jane Were Clara Kangogo

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No	Designation	Name
1.	Ag. Chief Executive Officer/Registrar	Lucy Komen
2.	OIC- Compliance and Quality Assurance	Leonard Mwash
3.	OIC- Investment Promotions and Partnerships	Lucy Komen
4.	OIC- ICT and Corporate Communication	Gilbert Nyakun
5.	OIC- Corporation Secretary & Legal Services	Jacqueline Odu
6.	OIC- Finance & Accounts, Warehouse Receipt Transactions	Cecilia Mutho
7.	OIC- Supply Chain, Planning & Strategy	Joel Osodo
8.	OIC- Human Resource Management & Administration	Jane Were
9.	OIC- Internal Audit & Risk Management	Clara Kangogo

(e) Fiduciary Oversight Arrangements

The Council has three (3 No.) fiduciary oversight committees as follows:

i. Audit & Risk Committee

The Committee provides guidance on the risk management and internal and external control functions of the Warehouse Receipt System Council. Its primary responsibility includes reviewing and monitoring and making recommendations to the Board of Directors on the Council's risk management framework and risk management policy documents. The Committee comprises the following Council Members:

- 1) Charles Njoroge, EBS, - Independent Director representing warehouse operators
- 2) Beatrice Nyamwamu – Director General AFA
- 3) Emmah Mburu - Alternate Director representing PS National Treasury

ii. Finance & Strategy Committee

The Committee provides guidance on the financial and strategic management of the Warehouse Receipt System Council. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Council's financial management and strategy policies and strategy documents. The Committee comprises the following Council members:

- 1) Eng. Kipkurui Murgor- Independent Director representing Farmers
- 2) Eng. Kennedy Makudih- Alternate Director representing PS Agriculture

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- 3) Emmah Mburu - Alternate Director representing PS National Treasury

iii. Human Resource & Governance Committee

The Committee provides guidance on the human resources management and governance of the Warehouse Receipt System Council. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Council's governance and human resources strategy and policies. The Committee comprise the following Council members:

- 1) Eng. Kennedy Makudih- Alternate Director to the PS Agriculture
- 2) Charles Njoroge, EBS,- Independent Director representing warehouse operators
- 3) Beatrice Nyamwamu – Director General AFA

(f) Entity Headquarters

P.O. Box 22757-00505
Tea House, Naivasha Rd, off Ngong Rd.
Nairobi, KENYA

(g) Entity Contacts

Telephone: (+254) 700368368
E-mail: info@wrsc.go.ke
Website: www.wrsc.go.ke

(h) Entity Bankers

National Bank of Kenya
Ngong Road Branch
P.O. Box 21922-00505
Nairobi, Kenya

(i) Independent Auditors



Auditor General
Office of the Auditor General, Anniversary Towers
P.O. Box 30084 GPO 00100
Nairobi, Kenya

(j) Principal Legal Advisor




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

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3. THE BOARD OF DIRECTORS/COUNCIL

	Directors	Details
1.	<p>Felicity N. Biriri – Chairperson</p>  <p>A good governance and productivity improvement champion, a believer of peaceful coexistence and prosperity for all.</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Governance and Leadership PhD candidate • MA, Peace Management and Conflict Resolution • BA, Human Resources Management • Certified mediator. • Effective Director program from Strathmore University <p>Experience</p> <ul style="list-style-type: none"> • Alumnae of the US State Fortune 500 mentorship program • University Council Member at Meru University of Science and Technology for three years. • Member of the National Environmental Complaints Committee (Environment Ombudsman) • Board member at Geothermal Development Company for two years. • Board Member at Kenya Pipeline Company (KPC) for 10 years. • Chairperson of the Board of Trustees at the KPC Petroleum Scheme for six years. • Trustee of the KEPSA Foundation • Chairman, Meru County Investment and Development Corporation for five years • Council member, Moi University for seven years.
2.	<p>Emma Mburu</p>  <p>Alternate Director to PS, National Treasury</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Master of Strategic Management • B.A Hons in Government and International Relations • Public Financial Management and governance • Public administration • Management and leadership skills • Project Management <p>Experience</p> <p>Over thirty years in government and currently Under Secretary, Resource Mobilization Department, The National Treasury</p>

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<p>3.</p>	<p>Eng. Kennedy Makudiuh</p>  <p>Alternate Director to PS responsible for Agriculture</p>	<p>Qualification</p> <ul style="list-style-type: none"> • MSc in Environmental and Biosystems Engineering from the University of Nairobi <p>Experience</p> <ul style="list-style-type: none"> • Senior Principal Superintending Engineer MOALF&C – State Department for Crop Development and Agricultural Research, Agricultural Engineering Services Directorate • Currently the National Project Coordinator for Small-scale Irrigation and Value Addition Project (SIVAP) and Drought Resilience and Sustainable Livelihoods Programme (DRSLP) – Kenya. • Active member of several relevant Professional bodies both local and international.
<p>4.</p>	<p>Charles J. K. Njoroge, EBS,</p>  <p>Independent Director</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Master of Development Economics [MDE], • Postgraduate Certificate in Telecommunications Regulation <p>Experience</p> <ul style="list-style-type: none"> • Former Deputy Secretary General of East Africa Community (EAC) in Arusha, Tanzania for six years having been appointed by the Heads of States and Summit in April 2013. • Over 35 years of experience (30 years in the ICT/Telecommunications industry and 6years in Regional Economics and Politics).
<p>5.</p>	<p>Eng. Thomas Murgor</p>  <p>Independent Director Farmer representative</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • BSc in Civil Engineering from the University of Nairobi <p>Experience</p> <ul style="list-style-type: none"> • 8 years’ experience in the Public Service working as a Roads Engineer in the Ministry of Transport and Communications (MOTC). • 25 Years as a cereal farmer in Uasin-Gishu (Breadbasket) and has played a key role in advocating on farmers’ issues. • Founder and Director of Eldoret care Recovery Centre- A rehab for treatment of substance use Disorders (SUDs).

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<p>6.</p>	<p>Beatrice Nyamwamu</p>  <p>Ag. Director General, Agriculture and Food Authority (AFA)</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Doctor of Philosophy (Food Systems) from Jomo Kenyatta University of Agriculture & Technology • MSc. Agricultural Resource Management from the University of Nairobi • BSc. Agriculture • Strategic Leadership Development Programme. (SLDP), VSC 2015 • Management of Protected Agriculture for Developing Countries, Training Centre of Huber Agricultural Officials, China 2011 <p>Experience</p> <ul style="list-style-type: none"> • Acting Director General Agriculture and Food Authority • Previously Director of Crops Directorate, AFA (2021-2022) • Served as Manager, Regulations & Compliance, Food Crops Directorate, AFA (September 2014-February 2021) • Served as Principal Agricultural Officer, Food Security and Early warning Sub-Division,
<p>7.</p>	<p>Lucy Komen</p>  <p>Ag. Chief Executive Officer</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Master of Business Administration, Strategic Management (Egerton) • Bachelor of Business Administration, Marketing • Diploma in Information Technology • Member of the Marketing Society of Kenya (MSK) • Leadership Promotion for Senior Level Executives of State-owned Enterprises for Developing Countries 2018 Course at Hunan International Business Vocational College, China • Senior Management Course –KSG 2021 • International course on Making Agriculture Work for Nutrition Security by WCDI, Wageningen, the Netherlands <p>Experience</p> <ul style="list-style-type: none"> • Served as Ag. Manager Investment Promotion and Partnerships WRSC • Previously Manager Product Development & Marketing Pyrethrum Processing Company of Kenya • Over 27 years wide experience in working with Government, Private sector and Industry organizations both locally and internationally. • Good Knowledge of Government's Policies Agricultural sector as articulated in Kenya Vision 2030 and the Agriculture Sector Transformation and Growth Strategy (ASTGS).

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4. Management Team

No	Name	Designation
1.	<p>Ms. Lucy Komen</p>  <ul style="list-style-type: none"> • Master of Business Administration, Strategic Management (Egerton) • Bachelors of Business Administration, Marketing • Diploma in Information Technology • Member of the Marketing Society of Kenya (MSK) 	<p>Ag. Chief Executive Officer /Registrar</p> <ul style="list-style-type: none"> • Responsible for the day to day management of the activities of the Council • Oversee the formulation, implementation and review of warehouse receipts systems, policies, strategies, procedures, standards and to ensure the efficiency, effectiveness and integrity of the WRS ACT.
2.	<p>Ms. Jane Were</p>  <ul style="list-style-type: none"> • Certified Human Resource Professional (CHRP-K) • Master of Business Administration (Strategic Management) • Bachelor of Commerce (Human Resource Management) • Higher National Diploma in Human Resource Management 	<p>Officer in Charge of Human Resource & Administration</p> <ul style="list-style-type: none"> • Responsible for attracting, motivating and retaining competent, talented and adequate human resources, and facilitate them adequately to meet the objectives of the Council.



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	<p>3. Joel Osodo</p>  <ul style="list-style-type: none"> • Master of Science in Procurement & Logistics (Jomo Kenyatta University Agriculture & Technology) • Post Graduate Diploma, Procurement & Logistics (IKUAT) • Bachelor of Commerce (Finance and Banking) (Egerton University) • M.K.I.S.M. 	<p>Officer in Charge of Supply Management</p> <p>and providing professional advice to the Council.</p>	<p>Officer in Charge of Supply Management</p> <ul style="list-style-type: none"> • Responsible for overseeing and coordinating Supply Chain Management and providing professional advice to the Council.
<p>Ms. Jacqueline Odundo</p>	<p>4. Ms. Jacqueline Odundo</p>  <ul style="list-style-type: none"> • Master of Law (LLM) Food Law (Luiss Guardi Carli University) • MCIArb Chartered Institute of Arbitrators, Kenya • Post Graduate Diploma Kenya School of Law • Master of Arts International Relations, (University of Warwick) • Bachelor of Laws (LLB, Hons), (Nelson Mandela University) • Member Law Society of Kenya 	<p>Officer in Charge of Legal Services</p> <p>services, corporate governance, legal matters and compliance with legal and regulatory requirements and certification of warehouse operators.</p>	<p>Officer in Charge of Legal Services</p> <ul style="list-style-type: none"> • Responsible for providing legal services, corporate governance, legal matters and compliance with legal and regulatory requirements and certification of warehouse operators.

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<p>5. Ms. Clara Kangogo</p>  <ul style="list-style-type: none"> • Master of Business Administration in Finance- (Kenyatta University) • Bachelor of Commerce (BCom) in Finance (Masinde Muliro University) • Certified Public Account of Kenya (CPA-K) • Member, Institute of Certified Public Accountants • Member of Institute of Internal Auditors 	<p>Officer in Charge of Internal Audit</p> <p>Responsible for assuring the Management and Board on the adequacy of the internal control systems, governance processes and institutional risk management framework.</p>
<p>6. Ms. Cecilian Muthoni</p>  <ul style="list-style-type: none"> • Certified Public Accountant of Kenya (CPA-K) • Bachelor of Business Administration in Accounts. • Member, Institute of Certified Public Accountants of Kenya (ICPAK) 	<p>Officer in Charge of Finance and Accounts</p> <ul style="list-style-type: none"> • Responsible for financial reporting, accounting and financial management systems.

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7.	<p>Gilbert Nyakundi</p>  <ul style="list-style-type: none"> • BSc. Information Sciences (Moi University) • Member: ISACA 	<p>Officer in Charge of ICT & Central Registry</p> <ul style="list-style-type: none"> • Responsible for design, implement and maintain institutional website, and databases and improve information systems to improve the efficiency of the Council's operations.
8.	<p>Leonard Mwashuma</p>  <ul style="list-style-type: none"> • Bachelor of Science in Food Science and Technology. • Certification in ISO 22000, ISO/IEC17020, ISO 9001, SA 8002. 	<p>Officer in Charge of Certification and Compliance</p> <ul style="list-style-type: none"> • Responsible for enforcement of commodity standards, quantity and quality assurance for the warehouse receipts system. • Carryout inspections and examine all warehouses operators and collateral managers operating under the Act.

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5. Chairman's Statement

The Warehouse Receipt System Council was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019. The Council now in its third year of operations has built up on the momentum and foundation set in the first year that saw it roll out various activities such as sensitisation and training on WRS and cementing of existing partnerships as well as forging new partnerships to enable the implementation of the WRS.

A key achievement during the period is certification of two (2) additional and identification 51 potential warehouse operators. The development of the Council's five-year Strategic Plan 2023-27 was also done which will provide a broad roadmap and is intended to be a dynamic document that enables to Council to fulfil its vision and mission. The Council also institutionalized the Warehouse Receipt System Act 2019 by developing policies, guidelines and procedures.

The other challenges include lack of adequate quality warehouses both private and public and low uptake of the WRS concept by the private sector. Additionally, the National Food Reserve has not activated the purchase of commodities through the Warehouse Receipt System. The delay in setting up the Kenya Multi-commodity Exchange (KOMEX) to facilitate the trading of receipts and inadequate levels of awareness of WRS concept has also contributed to the slow uptake of the WRS.

The above notwithstanding, I am looking forward to using the partnerships and collaboration established with Development partners, public and private sector players, and cooperatives to put in place an enabling environment that will allow for greater stakeholder participation in the WRS.



Felicity Njirũ Biriri
Chairperson

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6. Report of the Chief Executive Officer

I am pleased to present the third Annual Report and Financial Statements of the Warehouse Receipt System Council for the year ending 30th June 2023. The Warehouse Receipt System supports the Government's agenda on food security due to its contribution towards structured trading of agricultural commodities and enabling access to agricultural credit and financial services. Warehouse receipting is also in-line with the Bottom- Up Economic Transformation Agenda (BETA) on food security.

The Council developed the Strategic Plan 2023-2027 and held a stakeholder validation forum. The same will be reviewed and aligned for implementation in subsequent years. To promote the use of a network of public and private warehouses with the capacity to issue warehouse receipts, the Council mapped out six potential warehouse operators: Africa Exchange (AFEX), and National Cereals and Produce Board. The Council also partnered with KCEP-CRAL and other stakeholders to identify and pre-inspect potential warehouses.

A total of 9No. Financial Institutions expressed interest participating in the rollout of the WRS, with an objective to develop suitable WR financing products which will enhance the implementation of the WRS. The Council developed a Warehouse Receipt Finance Manual and inspection guidelines to facilitate training and uptake of credit facilities.

Despite the above-mentioned achievements, the Council has also faced challenges in the implementation of its mandate. The Council has limited funding since it only has development funds for the operationalization of the WRS Act, 2019 but minimal recurrent grants from the exchequer to enable it to fully undertake its operations. There is therefore need to allocate funds to implement the approved Human Resource Instruments

WRS will be a game changer and I am confident that farmers and value-chain actors will benefit fully when the system is fully operationalised in line with the mandate of the Council. We shall be rolling out the system to support other commodities including coffee, bananas, meat and potatoes.



Lucy Komen
Ag. Chief Executive Officer/Registrar

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7. Statement of Performance against Predetermined Objectives for FY 2022/23

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government Entity's performance against predetermined objectives.

The Warehouse Receipt System Council has strategic pillars/ themes/issues and objectives. The also Council developed its first strategic plan within the said period, and therefore the objectives implemented were captured under the Financial year 2022/23 Performance Contract as follows:

1. Identify and onboard warehouse operators;
2. Operationalize the Central registry for the management of Warehouse receipts transactions;
3. Strengthen Council's Institutional Framework (enhance high performance);
4. Carry out inspections and compliance in accordance with the Warehouse Receipt Systems Act 2019, regulations and guidelines;
5. Creating partnership linkages and collaborations; and
6. Carrying out awareness and sensitization programs.

The Council develops its annual work plans based on the above strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2022/23 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
1. Identify and onboard warehouse operators	To increase participation on the WRS	List of new identified potential warehouse operators	<ul style="list-style-type: none"> - Training potential warehouse operators - Inspect the potential warehouse operators 	<ul style="list-style-type: none"> - Trained 7 new potential warehouse operators - Inspected 16 potential warehouse operators - Issued 2 CoC to conforming and new warehouse operators
2. Operationalize the Central registry for the management of Warehouse	To ensure successful issuance of warehouse receipts	<ul style="list-style-type: none"> • Number of licensed Warehouse Operators 	<ul style="list-style-type: none"> • Certification & Inspection • Capacity building. 	2 Warehouse Operators Licensed

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Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
receipts transactions		<ul style="list-style-type: none"> Volume of commodity deposited 		
3. Strengthen Council's Institutional Framework (enhance high performance)	To strengthen capacity staff capacity	Staff sensitization on HR policies and procedure manual	Staff sensitization HR policies and procedure manual	Staff sensitized
4. Carry out inspections and compliance in accordance with the Warehouse Receipt Systems Act 2019	To check conformity to the WRS Act, Regulations and SOPs	<ul style="list-style-type: none"> Inspection reports Certificates of conformity 	Carryout field visits to inspect potential warehouse operators	<ul style="list-style-type: none"> Inspected 16 potential warehouse operators Issued 2 Certificates of Conformity to the two conforming and applicant warehouse operators
5. Create partnership linkages and collaboration	<ul style="list-style-type: none"> To identify partners to support some of the council activities; and To identify partners to help in implementing WRS 	<ul style="list-style-type: none"> Number of partners identified Number of signed MOUs/partnership agreements 	<ul style="list-style-type: none"> Identify partners and areas of collaboration Enter into partnership agreements 	<ul style="list-style-type: none"> Identified nine partners (one-acre fund, FSD, CDSC, TMEA, New KPCU, Bollre Transport and Logistics, Nairobi Coffee Exchange, UNIDO and GIZ. Entered into partnership agreement with IFC and FSD.
6. Carry out awareness and sensitization programs	To increase awareness on WRS to value chain actors and stakeholders	Number of counties sensitized on WRS	Conduct sensitization and awareness programs to various value chain actors in various counties.	Conducted sensitization and awareness in 11 counties (Trans Nzoia, Nakuru, Kericho, Bungoma, Laikipia, Kakamega, Machakos, Embu, Kiambu, Kitui and Makueni.)

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8. Corporate Governance Statement
a. Council Meetings Held

The Council has held four Full Council meetings in the FY2022/2023 inclusive of Committee meetings for Finance & Strategy, Operations & Compliance, Human Resource and Governance and Audit & Risk Committees. All Council members have been in attendance. A Succession plan is yet to be developed and a Board Charter has been developed and approved by the Council.

b. Appointment of Chairperson and Members of the Council

i) Chairperson

The Chairperson of the Council is appointed by H.E. the President of the Republic of Kenya. **Mrs. Felicity Nkirote Biriri** was appointed vide Gazette Notice No 8467 dated 29th June 2023 for three years starting from 30th June, 2023 and whose term will expire on 29th June 2026.

ii) Members of the Council

The Members of the Council were appointed by the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries & Cooperatives as per the Warehouse Receipt System Act No. 8 of 2019, as follows:

- 1. Representative of the Council of Governors:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Benson Loktari Ngoriakou** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th March 2020 in line with provisions of Section 3 (3) (d) of the WRS Act and whose term expired on 18th March 2023;
- 2. Representative of Eastern African Grain Council:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Rose Mawia Mutuku** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th March 2020 in line with the provisions of Section 3(3) (h) of the WRS Act and whose term expired on 18th March 2023;
- 3. Representative of the Kenya Bankers Association:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Christine Mwai-Marandu** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th

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March 2020 in line with the provisions of Section 3(3) of the WRS Act and whose term expired on 18th March 2023;

4. **Farmer Representative** The member is nominated by the farmers and thereafter gazetted by the Cabinet Secretary. **Eng. Thomas Kipkurui Murgor** was appointed vide gazette Notice No. 6784 dated 2nd September 2020 for three years with effect from 2nd September 2020 in line with Section 3 (3) (g) of the WRS Act, and whose term expired on 1st September 2023;
5. **Representative of warehouse operators in Kenya:** The member is nominated by the operators and thereafter gazetted by the Cabinet Secretary. **Charles J. K. Njoroge, EBS** was appointed by the Cabinet Secretary vide gazette Notice No. 17 dated 8th January 2021 for a period of three years starting from 6th January 2021 in line with Section 3 (3) (j) of the WRS Act and whose term is set to expire on 7th January 2024;
6. **Director General Agriculture and Food Authority (AFA):** The member is appointed in line with Section 3(3) (b) of the WRS Act. **Beatrice Nyamwamu** was appointed as Director General AFA vide appointment letter;
7. **Representative of the PS responsible for Agriculture:** Member is appointed by the Principal Secretary. **Eng. Kennedy Makudih** was appointed as a representative of the PS responsible for Agriculture vide appointment letter dated 18th December 2019;
8. **Representative of the PS Responsible for National Treasury:** Member is appointed by the Principal Secretary. **Emma Mburu** was appointed as a vide appointment letter dated 24th November 2021; and
9. **Representative of the Inspector General (Corporations):** Member is appointed in line with Section 18(2) of the State Corporations Act Cap 446. **Michael Muturi Macharia** was vide appointment letter dated 9th June 2021.

c. Board Committee Membership

The Council has constituted four committees in line with the provisions contained in Mwongozo Code of Governance whose membership is as follows:

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Name of the Committee	Members
Finance and Strategy Committee	<ol style="list-style-type: none"> 1. Eng. Kipkurui Murgor 2. Eng. Kennedy Makudih 3. Emmah Mburu
Human Resource & Governance Committee	<ol style="list-style-type: none"> 1. Eng. Kennedy Makudih 2. Charles Njoroge, EBS, 3. Beatrice Nyamwamu
Audit & Risk Committee	<ol style="list-style-type: none"> 1. Charles Njoroge, EBS, 2. Beatrice Nyamwamu 3. Emmah Mburu
Operations & Compliance	<ol style="list-style-type: none"> 1. Charles Njoroge, EBS, 2. Beatrice Nyamwamu 3. Eng. Kipkurui Murgor

d. Board and Member Performance

The Council has had 4No. meetings including committee meetings and a retreat to review the draft Strategic Plan attended by all members. All members have been in attendance in the Council deliberations and in giving policy directives governing the Council.

e. Conflict of Interest

No conflict of interest was expressed by members during the Council meetings.

f. Board Remuneration

Council members are remunerated in line with the provisions of Section 8 of the WRS Act and the existing government circulars on board remuneration.

The governance audit is planned to be conducted in the FY2023/2024 due to financial challenges.

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9. Management Discussion and Analysis

The Council's mandate is to develop and regulate a Warehouse Receipt System for agricultural commodities produced in Kenya. The Council receives funding from the National Treasury which we have applied towards the operationalization of the Warehouse Receipt System Act, development of the Warehouse Receipt System and the Central Registry. Following the approval of the FY2022/2023 Supplementary Estimates No. 1, the Council's budget was slashed from Kshs. 50 million to Kshs. 19 million. The total funding received for the FY 2022/23 was Kshs 37,799,998.35. However, the allocation was not adequate for the efficient and effective running of the Council's operations.

During the year under review, the Council entered into a cooperation agreement with IFC on 4th April 2023 for technical support to strengthen the legal regulatory and operational framework for Warehouse Receipt System (WRS) towards boosting warehouse receipt financing, increasing private sector participation and investments in the system. We also participated at the 6th Africa Agri-Expo in February 2023.

The Council issued a Certificate of Conformity to AFEX as a warehouse operator for Soy Mateeny Cooperative Society and NCPB Moi's Bridge in Uasin Gishu County and facilitated licensing of the same by the County Executive Committee Member. Sensitization of twenty-two (22) potato value chain actors on WRS in Nakuru was also carried out.

Appointment of the Technical Committee for the review of WRS legal and regulatory framework and development of regulations for the day-to-day management of the Central Registry, operation and structure of the Warehouse Receipt System Dispute Resolution Committee, qualifications and appointment of inspectors and weighers and graders.

Promoted investment opportunities in warehousing infrastructure in cold storage, cereals/pulses and fruits and vegetables for investors from UAE and India. Members of the Council were also trained on International Structured Commodity Trade Systems by the EAGC Grain Business Institute. We also commenced the development of business process mapping for the Central Registry business process re-engineering with support from IFC.

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The Council did not comply with statutory obligations including but not limited to remittances of NHIF, NSSF, VAT, HELB, and Withholding Tax within the stipulated deadlines due to delays in disbursement of funds to the Council by the Exchequer.

Major risks facing the entity

- a) Financial constraints since the Council has no recurrent funds for optimal operational use thereby affecting the sustainability of the Council's operations
- b) Organizational set-up challenges and inadequate technical staff in line with the required 70:30 ratio of technical to support staff to support initial operationalization;
- c) Change management challenges by beneficiaries of the current commodity trade systems;
- d) Low uptake of the new system by private warehouse operators; and inadequate warehousing infrastructure by the public warehouses,
- e) Low awareness among key stakeholders and value chain actors.

10. Environmental and Sustainability Reporting

The Warehouse Receipt System Council exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services and improving operational excellence.

i) Environmental performance

The Council being in nascent stage, is yet to develop an environmental sustainability policy but plans to do so in the FY 2023/24. This will guide on waste and biodiversity management and reduction on environmental impact of the organisation's products and services.

ii) Employee welfare

In the year under review, the Council developed Human Resource Policy Instruments which were approved by SCAC. Among clauses in the manual are considerations on gender and diversity representation as enshrined in the Constitution of Kenya, 2010 and stakeholder's engagement in programs and activities of the Council. Currently the Council has employees deployed from the Ministry, AFA and PPCK. The Council's current staff composition comprised 15 female and 12

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male employees in compliance with the constitutional requirement of two-thirds gender balance. In addition, university graduates were engaged as interns and attached in various functions of the Council to gain on-the-job experience.

The Council has facilitated staff members to attend various trainings, workshops and conferences. The trainings were in the areas of senior management development as well as Continuous Professional Development (CPD) training programmes geared towards improved service delivery, career progression and ensuring that staff remain in good standing. The Council has made commitments in the 2023/24 performance contract on competence development, staff appraisal, Safety and compliance with Occupational Safety and Health Act and gender mainstreaming among other commitments.

The Human Resource and Administration purposes to ensure continuous improvement of the physical and mental well-being of the employees to enable peak performance on and off the job. In the year under review, the Council provided a comprehensive medical insurance for its Council Members, staff members and their dependents. In addition, it equipped the staff with continuous member education on mental health and other lifestyle diseases in collaboration with established institutions in the health sector.

iii) Marketplace practices-

a) Responsible competition practice.

As the regulating authority, we practice fairness and are unbiased with licensing and certification being automated for transparency. The Council has developed policies for whistle blowing and code of conduct and ethics to address issues of corruption.

b) Responsible Supply chain and supplier relations

During the FY 2022-23, the Council sustained its efficient procurement processes in acquisition of goods, works and services. The Council ensured that the Access to Government Procurement Opportunities (AGPO) was maintained above the minimum 30% threshold as prescribed in the PPADA, 2015 & Regulations, 2020. The Council awarded 25% of its total procurement spend on tenders submitted to the special interest groups (Youth, Women & PWD's) through the AGPO and 99% to local goods and services.

11. Report of the Directors

The Directors submit their annual report together with the financial statements for the year ended June 30, 2023, which show the state of the Council's affairs.

i) Principal activities

The principal activity/mission of the **Warehouse Receipt System Council** is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

ii) Results

The results of the entity for the year ended June 30, 2023, are set out on page xv to xxiv.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi-viii.


iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) 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.

v) Auditors

The Auditor General is responsible for the statutory audit of the Warehouse Receipt System Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2023.

By Order of the Board:


Name: **Jacqueline Odundo**
CORPORATE SECRETARY/LEGAL

12. Statement of Director's Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 16 of Warehouse Receipt System Act, 2019 require the Council to prepare financial statements, which give a true and fair view of the state of affairs of the Council at the end of the financial period and the operating results of the Council for that period. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy its financial position. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on June 30, 2023. These responsibilities include:

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

The Directors accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Warehouse Receipt System Act, 2019. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2023, and of the Council's financial position as at that date.

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The Directors further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The WRSC financial statements were approved by the Board on **28th September 2023** and signed on its behalf by:



**Felicity Nkirole Biriri
CHAIRMAN OF THE COUNCIL**



**Lucy Komen
CHIEF EXECUTIVE OFFICER**

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WAREHOUSE RECEIPT SYSTEM COUNCIL 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 Warehouse Receipt System Council set out on pages 1 to 26, which comprise of the statement of financial position for

the year ended 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial statements of Warehouse Receipt System Council for the year ended 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 Warehouse Receipt System Act, 2019 and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.5,716,076 as disclosed in Note 19 to the financial statements. Included in the balance are payables amounting to Kshs.1,495,996 that remained unpaid for more than a year. No explanation has been given by Management for the failure to settle the outstanding payables.

In the circumstances, the accuracy and fair presentation of the current payables balance of Kshs.5,716,076 could not be confirmed.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total expenses budget and actual on comparable basis of Kshs.45,760,000 and Kshs.55,901,435 respectively, resulting to an over-expenditure of Kshs.10,141,435 or 22% of the budget, without approval nor explanation.

The over-expenditure of Kshs.10,141,435 without approval is against the budgetary control requirement that the over/under-expenditure of 10% and above should be explained.

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

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

1. Irregular Payment of Entertainment and Responsibility Allowances

The statement of financial performance and Note 11 to the financial statement reflect employee costs of Kshs.16,423,233 which includes entertainment allowance and responsibility allowance of Kshs.1,080,000 and Kshs.1,038,000 respectively. The amounts were paid to staff as part of their salary during the period under review. However, the allowances were not included in the employees' contractual terms and the Management did not provide an approval or explanation for the payments of the allowances. This was in contravention Regulation 105(1) of the Public Finance Management (National Regulation) ,2015 which states that, An Accounting Officer or any other officer delegated in writing by him or her may authorize payment vouchers on his or her behalf for expenditure chargeable to his or her vote, provided such expenditure is in respect of and within the provision of the services in a National Treasury warrant, in accordance with law, regulations, tariff, contract or agreement that may be applicable, and does not require special authority in terms of any law, regulation or National Treasury instruction.

In the circumstances, the Council was in contravention of the law.

2. Inactive Central Registry System

Section 12 of the Warehouse Receipt System Act, 2019 requires the Council to establish a registry system. The Council leased a registry system from East African Grain Council. However, the system has not integrated a clearing and settlement system as required by the Act. Further, the Act required the system to be supported by a disaster recovery and business continuity plans which were not provided for audit review.

In the circumstances, the Council is in breach of the law.

3. Lack of Appointment of Inspectors

Section 32 of the Warehouse Receipt System Act, 2019 requires the Council to appoint qualified persons by name or office to position of inspectors to carry out the inspection of the warehouse operators' premises and business for the purposes of the Act and the Regulations. However, the Council has not appointed the inspectors.

In the circumstances, the Council was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Under-Staffing of the Council

The staff establishment of the Council provides for eighty-nine (89) employees. However, review of the council payroll revealed that the council has twenty-four (24) employees and out of these fourteen (14) were on contract and ten (10) are deployed from other Government Agencies. Thus, the council has not substantially filled all the posts.

In the circumstances, the council may fail to achieve its mandate due to understaffing and is in breach of the establishment requirements.

2. Low uptake of Warehouse Receipting System

Field verification to licensed warehouses and Cooperatives in Uasin Gishu, Trans-Nzoia, Kakamega and Bungoma Counties in the month of December, 2023 revealed that there were no commodities deposited in the warehouses by farmers or farmer groups. In addition, an interview with the farmers revealed the following challenges;

- i. Farmers were turned away with maize that did not meet specified grades.
- ii. Middlemen are readily offering lucrative prices for maize therefore farmers have no need for storing their produce.
- iii. The lengthy process of certifying and licensing warehouses has discouraged farmers from depositing grains at their local stores.
- iv. There's high transportation cost to the licensed warehouses.
- v. Farmers have stores at home therefore may not adopt the initiative.
- vi. High cost of maintaining warehouse operations compared to the yields.
- vii. Lack of WRSC staff in the counties hinders engagement.

Further, only two (2) warehouses operators were licensed, and they operate six (6) warehouses in the entire country, for the over three years that the Council has been in

operation. This signals slow uptake of the receipt system or lack of aggressive sensitization and implementation of the system.

In the circumstances, effectiveness and sustainability of the Council services is doubtful.

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 the 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 misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Council ability to continue 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 services or cease its operations.

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

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

Those charged with governance are responsible for overseeing the Council financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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, arising from errors or fraud, can arise from error and are considered material, if individually or in the aggregate, they 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 and public resources are an efficient way, in accordance with the provisions of Article 229(8) 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 obtain an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 74(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 is not intended to provide an assurance that internal controls 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 limitation, internal controls may not prevent misstatements and misstatements or 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 judgment 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 sufficient and appropriate audit evidence as a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Management's use of applicable 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 council ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the council to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

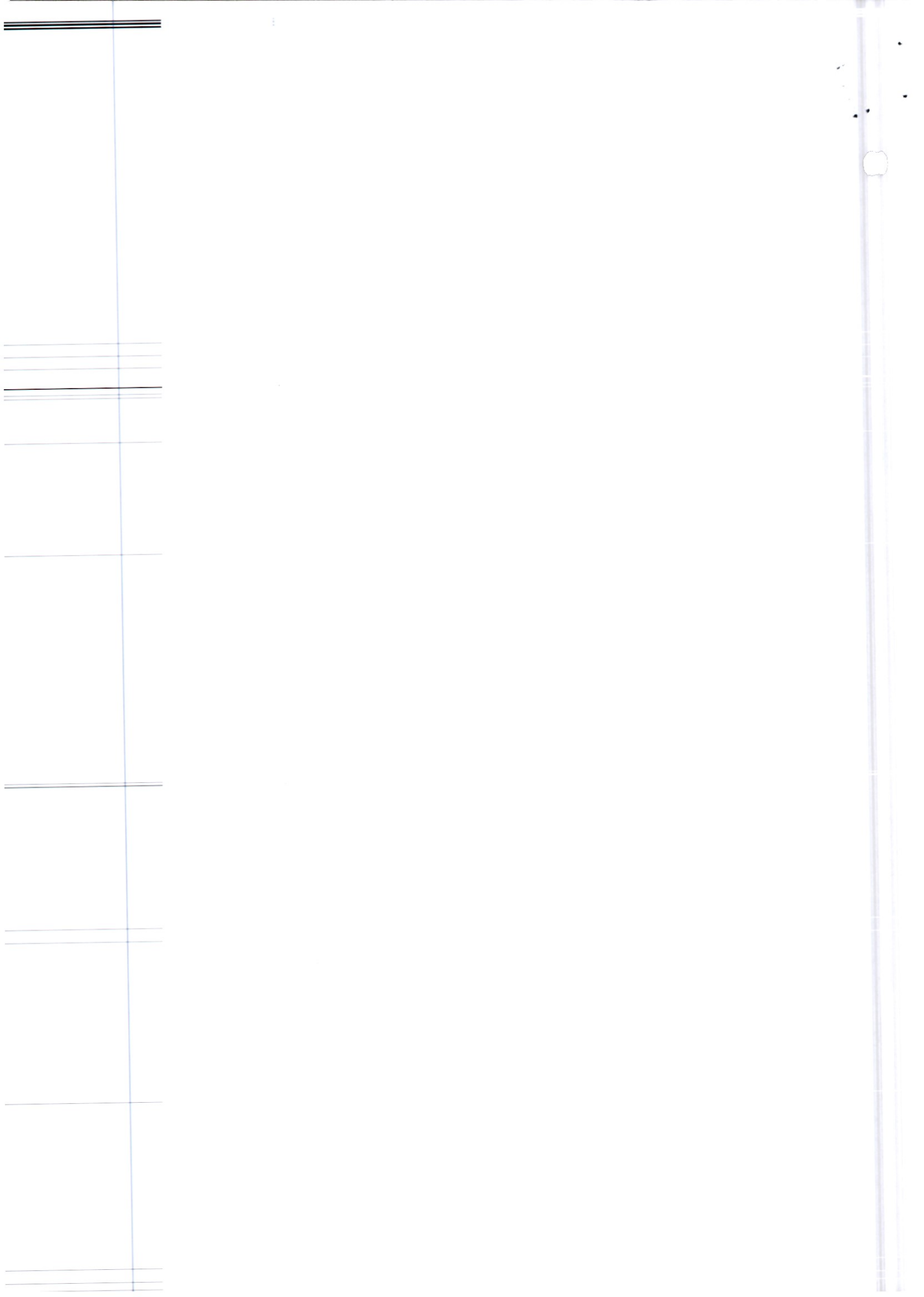
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu CBS
AUDITOR-GENERAL

Nairobi

19 February, 2024



**Warehouse Receipt System Council
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14. Statement of Financial Performance for the year ended 30 June 2023

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	37,799,998.35	100,000,000
Donor funds	7	1,911,840.00	2,348,400
Fees	8	3,100.00	4,000
Other incomes	9	124,387.00	-
Total Revenue		39,839,325.35	102,352,400
Expenses			
Use of goods and services	10	28,437,757.90	56,171,320
Employee costs	11	16,423,233.50	11,832,846
Board expenses	12	3,579,565.20	4,720,721
Depreciation expenses	13a	4,227,758.57	4,182,969
Amortization expenses	13b	2,662,373.00	1,674,373
Repairs and maintenance	14	212,426.99	1,290,985
Total expenses		55,543,115.16	79,873,213
Surplus/deficit before tax		(15,703,789.81)	22,479,187
Taxation		-	-
Surplus/(deficit) for the period/year		-	-
Remission to National Treasury		-	-
Net Surplus for the year		(15,703,789.81)	22,479,187

The notes set out from page 6 to 15 form an integral part of these Financial Statements.

The Financial Statements set out on this page were signed on behalf of the Board of Directors by:



Ag. CEO

Lucy Komen

Date: 9th January, 2024




OIC- Finance & Accounts

Cecilia Muthoni

ICPAK Member No: 24029

Date: 9th January, 2024



Chairman of the Council

Felicity N. Biriri

Date: 9th January, 2024

Warehouse Receipt System Council
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15. Statement of Financial Position as at 30 June 2023

Description	Notes	2022-2023 Kshs	2021-2022 Kshs
Assets			
Current Assets			
Cash and cash equivalents	15	4,090,588	13,903,418
Receivables	16	1,713,632	746,700
Total Current Assets		5,804,220	14,650,118
Non-Current Assets			
Property, plant and equipment	17	8,438,280	12,307,718
Intangible assets	18	8,975,119	11,637,492
Total Non- Current Assets		17,413,399	23,945,210
Total Assets		23,217,618	38,595,328
Liabilities			
Current Liabilities			
Trade and other payables	19	5,716,076	5,389,996
Total Current Liabilities		5,716,076	5,389,996
Non-Current Liabilities			
Total Non- Current Liabilities			-
Total Liabilities		5,716,076	5,389,996
Net assets			
Reserves			-
Accumulated surplus/deficit		17,501,543	33,205,333
Capital Fund			-
Total Net Assets		17,501,543	33,205,333
Total Net Assets and Liabilities		23,217,618	38,595,328

The financial statements set out on this page were signed on behalf of the Board of Directors by:



Ag. CEO

Lucy Komen

Date: 9th January, 2024



OIC- Finance & Accounts

Cecilia Muthoni

ICPAK Member No: 24029

Date: 9th January, 2024



Chairman of the Council

Felicity N. Biriri

Date: 9th January, 2024

**Warehouse Receipt System Council
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16. Statement of Changes in Net Assets for the year ended 30 June 2023

	Ordinary share capital	Revaluati on reserve	Fair value adjustme nt reserve	Retained earnings Kshs	Proposed dividends	Capital/ Development Grants/Fund Kshs	Total Kshs
As at July 1, 2021	-	-	-	10,726,146	-	-	10,726,146
Surplus/ Deficit for the year	-	-	-	22,479,187	-	-	22,479,187
Capital/Development grants received during the year	-	-	-	-	-	-	-
As at June 30, 2022	-	-	-	33,205,333	-	-	33,205,333
As at July 1, 2022	-	-	-	33,205,333	-	-	33,205,333
Surplus/ Deficit for the year	-	-	-	(15,703,790)	-	-	(15,703,790)
Capital/Development grants received during the year	-	-	-	-	-	-	-
As at June 30, 2023	-	-	-	17,501,543	-	-	17,501,543

**Warehouse Receipt System Council
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16. Statement of Cash Flows for the year ended 30 June 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	20b	37,008,332	100,000,000
Donor funds	7	1,911,840	2,348,400
Fees	8	3,100	4,000
Other incomes	9	124,387	-
Total Receipts		39,047,659	102,352,400
Payments			
Use of goods and services	20b	28,952,544	56,381,833
Employee costs	11	16,423,234	11,832,846
Board expenses	20b	2,913,965	4,720,721
Repairs and maintenance	14	212,427	1,290,985
Total Payments		48,502,170	74,226,384
Net cash flow from operating activities		(9,454,510)	28,126,016
Cash flows from investing activities			
Purchase of property, plant, equipment	17	(358,320)	(11,199,640)
Purchase of intangible assets		-	(8,371,865)
Net cash flows from/to investing activities		(358,320)	(19,571,505)
Cash flows from financing activities			
Net cash flows from /to financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(9,812,830)	8,554,511
Cash and cash equivalents at 1 JULY 2022		13,903,417	5,348,907
Cash and cash equivalents at 30 JUNE 2023	15	4,090,587	13,903,417

The financial statements set out on this page were signed on behalf of the Board of Directors by:



Ag. CEO

Lucy Komen

Date: 9th January, 2024



OIC- Finance & Accounts

Cecilia Muthoni

ICPAK Member No: 24029

Date: 9th January, 2024



Chairman of the Council

Felicity N. Biriri

Date: 9th January, 2024

Warehouse Receipt System Council
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual Cumulative to June 2023	Performance difference	% of utilisation
	a	b	c=a+b	d	Kshs	
RECEIPTS	Kshs	Kshs	Kshs	Kshs	e=(c-d)	F=d/c
Government Grants	69,000,000	(31,250,000)	37,750,000	37,799,998	(49,998)	100
Donor funds (AGRA)	-	4,000,000	4,000,000	1,911,840	2,088,160	48
Appropriation in Aid	-	10,000	10,000	3,100	6,900	31
Other Receipts	-	-	-	124,387	(124,387)	-
TOTAL RECEIPTS	69,000,000	(27,240,000)	41,760,000	39,839,325	1,920,675	
EXPENSES					-	
Compensation of Employees	14,453,678	(603,278)	13,850,400	16,423,234	(2,572,834)	119
Board expenses	3,440,000	(300,000)	3,140,000	3,579,565	(439,565)	109
Use of goods and services	32,628,847	(10,392,372)	22,236,475	24,528,429	(2,291,954)	108
Acquisition of Assets	15,520,000	(15,190,000)	330,000	358,320	(28,320)	109
Repairs & Maintenance	1,020,350	(754,350)	266,000	212,427	53,573	80
AGRA Project		4,000,000	4,000,000	3,909,329	90,671	98
Depreciation and amortization	1,937,125	-	1,937,125	6,890,132	(4,953,007)	
TOTAL EXPENSES	69,000,000	(23,240,000)	45,760,000	55,901,435	(10,141,435)	
SURPLUS/DEFICIT				(16,062,110)		

NOTES:

Other than the depreciation and amortisation recognized in the Statement of Financial Performance, there are no reconciling items to warrant a reconciliation between surplus as per statements of financial performance and comparison of budget and actual amounts.

Variance Analysis

An explanation of differences between actual and budgeted amounts above or under 10% are provided herein below in accordance with IPSAS 24.14

1. Receipts – Appropriation-in-aid

The Council received certification fees for two Certificates of Conformity issued during the financial period against a target of 10. This was due to the low uptake of WRS and poor harvests for the previous harvest period. The anticipated donor funds were received as Kshs. 1.9 million against Kshs 4 million for the FY 2022/23.

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2. Receipts – Government grants

The Council received Kshs. 50,000 from the then State Department for Crops Development and Agriculture Research that reflected from the IFMIS as owed to the Council. This was before the approval of the Supplementary 1 for FY 2022/2023.

3. Compensation of employees

During the year under review, the Council anticipated to carry out staff recruitment which did not happen due to lack of additional funds allocation for the process. As a result, the Council renewed contracts for staff engaged on short-term and paid gratuity twice for some within the FY 2022/23.

4. Use of goods and services and board expenses

The Council suffered a budget cut of 65% in the 2022/2023 supplementary 1 budget. This led to review of the budget downwards to accommodate the cut which came at a time when commitments had been made based on the initial approved budget.

5. Depreciation expenses

The Council had to reduce its budget for depreciation and amortization expenses due to budget cut of 65% in the 2022/2023 supplementary 1 budget the financial year and thus the negative variance.

18. Notes to the Financial Statements

1. General Information

The Warehouse Receipt System Council is established by and derives its authority and accountability from Section 3 of the Warehouse Receipt System Act No. 8 of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council's principal activity is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. 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 Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Council. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Warehouse Receipt System 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

The entity did not early-adopt any new and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.

4. Summary of Significant Accounting Policies

a) Revenue recognition

Notes to the Financial Statements (Continued)

Fees

The Council 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, income is recognized instead of revenue.

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 Council and can be measured reliably.

b) Budget information - IPSAS 24

The original budget for the Current FY was approved by the National Treasury on 30th June 2022. 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 Entity upon receiving the respective approvals in order to conclude the final budget.

The Councils 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.

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c) Taxes

The Council is a regulatory State Corporation categorised as Schedule 3 under Public Finance Management Regulations 211(4) and therefore exempt from tax in accordance with Section 219(3) of the Public Finance Management Regulations, 2015. It is funded from government grants and does not have other significant sources of income and registered for PAYE, Income taxes.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation. 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.

The Council developed an asset management policy and used the approved depreciation rates as follows on a straight-line basis:

Asset	Depreciation Rate	Useful Life
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Automobiles	25.00%	4yrs
Computers	33.30%	3yrs
Office and Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

e) Intangible assets

Intangible assets (ERP System) acquired by the Council during the year have been amortized at the rate of 20% with a useful life of 5 years, on straight-line basis. However, the WRS system is still work in progress and thus recognized at cost with no amortization in the financial year.

f) Inventories - IPSAS 12

According to IPSAS 12; Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations. However, the Board is a service-based public institution and does not carry significant amount of inventory as it is procured in small quantities and therefore expensed when it is procured.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Councils commercial bank 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 staff which were not surrendered or accounted for at the end of the financial year.

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h) 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.

i) Accounting Policies, Changes in Accounting Estimates and Errors - IPSAS 3

The Council shall apply IPSAS 3 in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. WRSC shall correct (where practicable) material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Boards 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.

6. Transfers from Ministries, Departments Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022/23	Total transfers 2021/22
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department for Crop Development and Agriculture Research	33,049,998	-	-	33,049,998	100,000,000
State Department for Trade	4,750,000	-	-	4,750,000	-
Total	37,799,998	-	-	37,799,998	100,000,000

This is funds received for both recurrent and development grants

7. Transfers from Donors

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022/23	Total transfers 2022/23
	Kshs	Kshs	Kshs	Kshs	Kshs
Alliance for Green Revolution in Africa (AGRA)	1,911,840	-	-	1,911,840	2,348,400
Total	1,911,840	-	-	1,911,840	2,348,400

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8. Fees

Description	2022-2023	2021-2022
	Kshs	Kshs
WR Fees	1,100	-
Certification fees	2,000	4,000
Total	3,100	4,000

These are fees paid for issuance of certificate of conformity at Kshs.1,000 per warehouse operator and Kshs.100 per warehouse receipt issued.

9. Other incomes

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance compensation	124,387	-
Total	124,387	-

10. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs	Kshs
Training and Capacity Building	2,830,697	11,846,283
WRS Launch	-	4,277,879
Inspection & Compliance	476,600	320,950
Warehouse Operations	-	1,928,537
Warehouse Receipt Financing	-	373,000
WRS Baseline survey	-	1,057,510
Publicity and promotional items	1,502,766	4,952,016
Stakeholder Sensitization	991,367	4,328,896
Medical, WIBA/GPA, insurance cover	5,634,621	5,201,709
Devpt and Implementation of S.P	1,410,680	7,154,373
Performance Contracting	2,508,850	1,582,702
Softwares and Licenses	-	2,000,000
Internet	616,000	508,000
Computer Accessories	411,955	264,624
Devpt of HR Policy Instruments	-	1,430,300
Staff Welfare	1,122,003	1,175,659
Email expenses	871,197	691,799
Fuel expenses	1,127,950	1,883,432
Newspapers, Periodicals, Journals	11,520	101,910
Bank Charges	71,204	96,427
Local Travelling Expenses	2,628,528	3,403,524
AGRA Project expenses	3,909,329	-
Taxi expenses	547,827	327,490
Airtime expenses	974,500	
Common user items	181,580	552,898
Telephone and postage	51,783	
Tender advertisements	-	292,106
Audit fees	556,800	556,800
TOTAL	28,437,758	56,171,320

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11. Employee Costs

	2022-2023	2021-2022
	Kshs	Kshs
Salaries and allowances	16,423,234	11,832,846
Employee costs	16,423,234	11,832,846

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Chairman's Honoraria	720,000	960,000
Sitting allowances	2,296,400	2,624,000
Induction and Retreats	-	907,476
Other expenses	563,165	229,245
Total	3,579,565	4,720,721

13. a) Depreciation expenses

Assets	Depreciation 2022-23	Depreciation 2021-22
	Kshs	Kshs
Motor Vehicles	(1,842,611.00)	(1,842,611)
Computers and related Equipment	(1,619,929.00)	(1,619,929)
Office & Communication Equipment	(309,357.00)	(309,357)
Furniture and Fittings	(455,862.00)	(411,072)
Total depreciation	(4,227,759)	(4,182,969)

13 b) Amortization expenses

ERP System	(1,674,373)	(1,674,373)
Electronic Warehouse Receipt System (e-WRS)	(988,000)	-
Total	(2,662,373.00)	(1,674,373)

14. Repairs and Maintenance

Description	2022-2023	2021-2022
	Kshs	Kshs
Automobiles	118,187	1,230,665
Computer and Electronic Equipment	80,040	60,320
Furniture and fittings	14,200	-
Total	212,427	1,290,985

15. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	KShs	KShs
Current bank account	4,090,587.89	13,902,396
Petty cash	-	1,022
Total cash and cash equivalents	4,090,587.89	13,903,418

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16. Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Recurrent grants	791,666.00	-
<i>Imprest debtors</i>		
Samuel Ogola	771,516.00	-
William Kiarie	48,450.00	-
Fredrick Okoth	-	31,800.00
John Kyule	-	31,800.00
Allan O. Agoi	-	35,000.00
Diana Nkatha	-	95,400.00
Jacqueline Odundo	-	374,400.00
Kenneth Ronoh Kiptoo	102,000.00	30,400.00
Leonard Mwashuma	-	32,500.00
Edward Wendoh	-	63,150.00
Jackson N. Mbecha	-	52,250.00
TOTAL	1,713,632.00	746,700.00

17. a) Property, Plant and Equipment (PPE)

Cost	Furniture and fittings	Computers	Office equipments	Motor Vehicle	Total
	Shs	Shs	Shs	Shs	Shs
Ist July, 2021	2,500,756	3,140,400	1,153,349	-	6,794,505
Additions	787,820	1,719,874	1,321,503	7,370,443	11,199,640
Disposals					
Transfer/adjustments	-	-	-	-	-
As at 30th June 2022	3,288,576	4,860,274	2,474,852	7,370,443	17,994,145
Additions	358,320	-	-	-	358,320
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
As at 30th June 2023	3,646,896	4,860,274	2,474,852	7,370,443	18,352,465
Depreciation and impairment					
Ist July, 2021	(312,595)	(1,046,695)	(144,169)	-	(1,503,458)
Depreciation	(411,072)	(1,619,929)	(309,357)	(1,842,611)	(4,182,969)
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
As at 30th June 2022	(723,667)	(2,666,625)	(453,525)	(1,842,611)	(5,686,427)
Depreciation	(455,862)	(1,619,929)	(309,357)	(1,842,611)	(4,227,759)
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
As at 30th June 2023	(1,179,529)	(4,286,554)	(762,882)	(3,685,222)	(9,914,186)
Net Book Value as at 30th June 2022	2,923,230	2,193,650	2,021,327	5,527,832	10,804,260
Net Book Value as at 30th June 2023	2,467,368	573,720	1,711,970	3,685,222	8,438,279

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b) Property, Plant and Equipment (PPE) costing

	Cost	Depreciation 2022-23	Depreciation 2021-22	Depreciation 2020-21	NBV
PPE	Kshs	Kshs	Kshs	Kshs	Kshs
Motor Vehicles	7,370,443	(1,842,611)	(1,842,611)	-	3,685,222
Computers and related Equipment	4,860,274	(1,619,929)	(1,619,929)	(1,046,695)	573,720
Office & comm. Equipment	2,474,852	(309,357)	(309,357)	(144,169)	1,711,970
Furniture and Fittings	3,646,596	(455,862)	(411,072)	(312,595)	2,467,368
Total for PPE	18,352,165	(4,227,759)	(4,182,969)	(1,503,458)	8,438,280

18. a) Intangible Assets

	E-WRS	ERP System	TOTAL
Cost	KShs	KShs	KShs
1st July, 2021		-	-
Additions	-	8,371,865	8,371,865
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June, 2022	-	8,371,865	8,371,865
Additions	4,940,000	-	4,940,000
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June 2023	4,940,000	8,371,865	13,311,865
Amortization			-
1st July, 2021	-	-	-
Amortization	-	(1,674,373)	(1,674,373)
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June, 2022	-	(1,674,373)	(1,674,373)
Amortization	(988,000)	(1,674,373)	(2,662,373)
Disposals	-	-	-
Transfer/adjustment	-	-	-
As at 30th June 2023 (accumulated)	(988,000)	(3,348,746)	(4,336,746)
Net Book Value as at 30th June 2022	-	6,697,492	6,697,492
Net Book Value as at 30th June 2023	3,952,000	5,023,119	8,975,119

b) Intangible assets costing

	Cost	Amortization 2022-23	Amortization 2021-22	NBV
	Kshs	Kshs	Kshs	Kshs
ERP System	8,371,865	(1,674,373)	(1,674,373)	5,023,119
E-WRS	4,940,000	(988,000)	-	3,952,000
Total intangible	13,311,865	(2,662,373)	(1,674,373)	8,975,119

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19. Trade and Other Payables

Payee	2022-2023	2021-2022
Board expenses	665,600.00	421,888.00
Jiunge Cloud Ltd	112,000.00	112,000.00
East Africa Grain Council	1,487,895.00	-
Lake Naivasha Resort	294,050.00	-
Jubilee Insurance	148,886.00	-
Staff claims - local travel	16,350.00	15,000.00
Office of Auditor General	556,800.00	556,800.00
Taxis expensees	312,295.20	55,120.00
Embcomm Networks	215,000.00	92,000.00
Statutory deductions		598,595.00
Malia General	39,799.00	-
Safaricom	11,996.00	3,490.00
Semara Hotels	-	171,100.00
Government advertising agency	-	292,106.00
Richardson Enterprises	-	150,000.00
Institute of Engineers	-	112,000.00
Betty Inonda	-	120,000.00
Twenty Four Seven Ltd	-	183,200.00
Mac and More	-	25,200.00
Envag Associates (K) Ltd	-	630,000.00
Waterfall Agencies	-	320,700.00
MFI Solutions	132,240.00	34,800.00
Kadri Alfa	216,000.00	-
Kenya Tea Packers Ltd	11,168.00	-
DSL Solutions	837,186.50	837,186.50
Meru ATC	153,000.00	153,000.00
Mountain Breeze	37,500.00	37,500.00
KALRO Dairy Research Institute	58,310.00	58,310.00
East Africa Grain Council e-WRS	410,000.00	410,000.00
TOTAL	5,716,075.70	5,389,995.50

20. a) Cash Generated from Operations

	2022-2023	2021-2022
	KShs	Kshs
Surplus for the year before tax	(15,703,790)	22,479,187
Adjusted for:		
Depreciation	4,227,759	5,857,342
Amortization	2,662,373	
Working Capital adjustments		
Increase in inventory		-
Increase in receivables	(966,932)	(730,340)
Increase in deferred income		-
Increase/Decrease in payables	326,080	519,787
Increase in payments received in advance		-
Net cash flow from operating activities	(9,454,510)	28,126,017

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20 b) Notes to the Statement of Cashflow

- a) The receipts from other government agencies is the total of **Kshs. 37,799,998 (note 6)** less Kshs. 791,666 which was a receivable grant as at 30th June 2023.
- b) The amount for use of goods and services is **Kshs 28,437,758 (note 10)** plus Kshs. 921,966 which is imprest debtors, less Kshs. 1,198,846 relating to use of goods and services that were part of receivables and payables respectively as at 30th June, 2023.
- c) Board expenses are **Kshs. 3,579,565 (note 12)** less Kshs. 665,000 which was a payable as at 30th June, 2023.

21. Financial Risk Management

The Council's activities expose it to a variety of financial risks including liquidity risks and effects of changes in foreign currency. Its 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.

22. Ultimate and Holding Entity

The Council is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. Its ultimate parent is the Government of Kenya.

23. Currency

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

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19. Appendices

Appendix I: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Issue No.	Audit Issue	Management Responses	Actions Plan/Status	Timeframe
1	Imprest Management			
	<p>Incomplete Imprest Warrants Analysis of the imprest register revealed that the imprest register did not have transactions that occurred in the first half of the financial year; i.e from 1 July 2021 to 31 December 2021. Hence, the imprest issued during the 2021/2022 financial year could not be ascertained.</p>	<p>The Council implemented an ERP system mid-year FY 2021/22 from manual operations. The system has an automated imprest warrant in line with the requirements. However, the system print-out doesn't display all the information fields. Management shall work with the system developer to ensure that the print out is complete and with all the required information.</p>	<p>Imprest warrants automated have all the required details awaiting an update of printout.</p> <p>Imprest registers were maintained for the whole financial year.</p>	Done
	<p>Lack of an Approved Budget for the Council The statement of comparison of budget and actual amounts reflects a final budget and actual expenditure of Kshs. 100,000,000 and Kshs. 99,444,718 respectively. However, the management of the Council did not provide an approved budget from the line Ministry and the National Treasury for audit verification. This was in</p>	<p>For the year under review, the Council had only a Development Grant with no recurrent Grant. The national treasury does not approve a Development Budget as a standalone. Therefore, the Council's Budget was approved as a single line item under the State Department for Crops Development budget. A detailed budget was approved by the Full Council (Board) and submitted for concurrence to</p>	<p>The Council has since been allocated recurrent grants and the subsequent financial year budgets approved by the National Treasury.</p>	Done

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	<p>contravention of the circular Ref; DGIPE/A/1/10 from The National Treasury on the guidelines for the preparation of the annual budget for state corporations for the financial year 2020/2022. In the circumstances, the Management was in breach of the law.</p>	<p>the Principal Secretary State Department of Crops Development.</p>		
2	<p>Board Committees with Members Exceeding One-Third of Full Board</p> <p>During the year under review, it was observed that Warehouse Receipt System Council Board had nine (9) board members and it formed four committees namely Finance & Strategy Committee, Human Resource and Governance Committee, WRS Operations & Compliance Committee and Audit & Risk Committee. Each committee had four members instead of three which is 1/3 of Nine. Contrary to the OP circular dated 11 march 2020.</p> <p>In the circumstances, the Management is in breach of the law.</p>	<p>Management has taken note of and will reconstitute the committees with immediate effect to ensure compliance with the threshold stipulated by the Circular.</p>	<p>The Board Committees were reconstituted to reflect the required membership.</p>	<p>Done</p>
3	<p>Failure to Place Advertisements for Recruitments</p>			

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	<p>During the year under review the Council recruited two officers to fill up the positions of Supply Chain and Communication Officer Assistants Vacancies. However, no evidence of vacancies declared by the respective departments and advertisements of the recruitments was provided for audit. In the circumstances, the Management was in breach of the law</p>	<p>The Council identified candidates from the internship application database for Supply Chain and Corporate Communication departments who were invited and interviewed for internship upon approval by the Accounting Officer. After successful performance on internship for one year, the heads of the two departments recommended their onboarding as Assistant Officers since they had adequate experience and understood the operations of the Council.</p>	<p>Pending allocation of funds to allow the implementation of the Organization structure.</p>	<p>Pending allocation of funds to allow the implementation of the Organization structure.</p>
4	<p>Failure to Collect Revenue As disclosed in Note 6,7 and 8 in the financial statement, the statement of financial performance reflects total receipts of Kshs. 102,352,400. However, the Council did not disclose the revenue collected from issuing warehouse receipts and certificate of registration to its depositors. During the 2021/2022 financial year, the Council managed to get 7 depositors in Kitale County who paid a total of Kshs.700 and was not disclosed in the financial statements. In the circumstances, the Management was in breach of the law</p>	<p>There is a delay in remittance of WR fees by NCPB being the only certified Warehouse Operator in the FY 2021/2022.</p> <p>We had notified the Warehouse Operator on payment for the Warehouse Receipts and made follow-up.</p>	<p>The fees for the warehouse receipts were paid by the warehouse operator in FY 2022/23.</p>	<p>Done</p>

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5.	<p>Unbudgeted Expenditure Under Development and Implementation of Strategic Plan</p> <p>As disclosed in Note 9 to the financial statement, the statement of financial performance reflects use of goods and services of Kshs.56,171,320 which includes Kshs.6,886,573 for the development and implementation of the strategic plan. However, examination of payment vouchers revealed that an expenditure of Kshs.1,712,000 on air tickets the expenditure was not budgeted for. In addition, imprest totaling to Kshs.1,121,229 taken towards the experimental visit to India by 2 board members and the Ag. CEO was not in the approved budget. It's not clear why the council incurred Kshs.2,833,299 that was not budgeted for.</p> <p>In the circumstances, the Council is in breach of the law</p>	<p>The Council initiated the development of its first strategic plan during the FY 2021/22.</p> <p>Towards this end, the Council planned an experiential visit targeting the India Warehouse Receipt System environment due to similarities with the Kenyan system; in both the predominance of smallholder based agriculture production system and the existence of a vibrant private sector.</p> <p>During the visit, the team managed to visit and hold discussions with eight (8) different companies carrying out warehousing functions in India, spanning from the regulatory authority, Warehouse Development & Regulatory Authority India to commodity quality control and assurance companies.</p> <p>This was key in planning the Kenya WRS rollout.</p>	Any official international activities shall be projected in the annual budget.	Done
6.	<p>Irregular Payment of Imprest Under Training and Capacity Building</p>	The Council was invited by the Kenya Investment Authority to visit the United Arab Emirates government in Dubai who	Any official international activities shall be projected in the annual budget.	Done

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	<p>As disclosed in Note 9 to the financial statement, the statement of financial performance reflects use of goods and services amount of Kshs.56,171,320, which includes Kshs.11,846,283 for training and capacity building out of which Kshs.4,476,950 was a payment made to board members, CEO and other officers to attend the Dubai Expo 2020.</p> <p>Examination of the payment voucher revealed the following irregularities;</p> <ul style="list-style-type: none"> i. There was no budget in place for the activity. ii. Imprest was not applied for appropriately and issued using imprest warrant. iii. Participants were paid in USD. iv. The Daily Subsistence Allowance rates used to pay Board members were not supported. v. The money was withdrawn by the accountant who paid the participants in cash. 	<p>were hosting the World Expo 2020. The Expo was scheduled to run between 1st of October 2021 to 31st March 2022 under the theme 'Connecting minds, creating the future'. Kenya participated in the Expo 2020. The Expo was a good forum for the Council to connect with potential investors. An estimated 192 countries including Kenya participated at the Expo.</p> <p>However, clearance for the delegates traveling for the activity was obtained late. The team traveling requested to be facilitated in USD to enable them travel and pay for their accommodation. Being the first international travel for the Council, the payment was facilitated in cash as requested due to the time constraints and upon confirmation that they were all traveling for the specified number of days. This has never been repeated since all other subsequent travel allowances are facilitated as individual imprests for accountability.</p> <p>The team visited the Gulfood Expo which was held at the Dubai World Trade Center, attended the high-level business</p>		
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	In the circumstances, the value for money for expenditure of Kshs.16,323,233 on training and capacity building could not be confirmed.	forum between Kenya and the Gulf, visited the Dubai Multi Commodities Centre, the Hong Kong Star Foodstuff Trading and also held a meeting with the Dubai Gold & Commodities Exchange (DGCX). This made it a worthy experiential tour with a lot to consider in the implementation of WRS in Kenya.		
7.	<p>Irregular Payment of Entertainment and Responsibility Allowances</p> <p>As disclosed in Note 10 to the financial statement, the statement of financial performance reflects employee costs of Kshs.11,832,846 which includes Kshs.1,080,000 entertainment allowance and Kshs.1,038,000 responsibility allowance paid to staff as part of their salary during the period under review. However, the management did not provide an approval or explanation to the paid allowances which were not included in the employees' contractual terms. This was in contravention the Circular MSPS 2/1AVOLXXXV/(118) dated 13th November 2008 and Circular MSPS.2/1A VOL.XXXVI/(111) dated 14th April 2009. In the circumstances,</p>	<p>The Human Resource and Governance Committee in their 1st meeting held on 25th August 2020 approved payment of responsibility allowance to the Drivers, support staff and Secretaries as per provisions of Government circular MSPS 2/1A VOL XXXV/(118) dated 13th November 2008 and Circular MSPS.2/1A VOL.XXXVI/(111) dated 14th April 2009</p> <p>In addition, the Committee approved payment of a responsibility allowance of Ksh.9,000 per month and an entertainment allowance of Ksh.10,000 per month to staff assigned to head departments and the CEO.</p>	The Council to consult the Salaries and Remuneration Commission (SRC) for guidance on the issue raised by the auditors.	

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	the Council was in contravention the circular on payment of allowances			
8.	<p>Irregular Salary Increments The Council recruited staff on contracts whose terms are renewable every year upon expiry. While on renewal of the contract, staff's basic salary, house and commuter allowances are increased or graduated to the next salary scale. No explanation or evidence was provided for increasing staff salaries upon every contract renewal.</p> <p>In the circumstances, the regularity of the salary increments could not be confirmed.</p>	In the 1 st Special Full Council meeting held on 29 th September 2021, it was resolved that officers heading departments in WRSC be considered at Officer level (AFA 6). The terms salaries and allowances of two officers were therefore adjusted accordingly as per Council resolution.	Upon renewal of employment contracts after one year, the Council applies sections C.3 of the PSC HR Policies & Procedures Manual May 2016 and 3.5 of the WRSC HR Policy & Procedures Manual Nov 2021 which state that "An officer's annual incremental date shall be the first date of the month one is appointed"	Done
9.	<p>Direct Procurement of Consultancy Services As disclosed in Note 8 to the financial statements, the statement of financial performance reflects use of goods and services amount of Ksh.56,171,320 which includes Kshs.11,846,283 for training and capacity building out of which Kshs.179,025 was paid for consultancy services. However, the Management did not provide</p>	The training for licensed warehouse operators was carried out in partnership with International Finance Corporation who recommended the consultant due to his practical experience and expertise in training warehouse operators under the WRS in Ghana.	Due procurement procedures shall be followed in future engagements.	Done

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	documentation or explanation on how the consultant was identified, and invited and the terms of engagement for the services. In the circumstances, the Council is in breach of the law.			
10.	<p>Misclassification of Expenditure As disclosed in Note 10 to the financial statements, the statement of financial performance reflects employee costs amounting to Kshs.11,832,846. However, the amount includes purchase of airtime of Kshs.613,000 which does not relate to employee cost, hence, it resulted to an overstatement of the employee costs.</p> <p>In the circumstances, the Council is in breach of the law.</p>	Airtime is provided for staff who qualify for the same as a benefit. In this regard, the Council had considered the same as an allowance and budgeted for it under personnel emoluments. Implementation of the same was done through purchase of airtime and thus accounted for as was budgeted for.	The expenditure is currently budgeted for and accounted for as a stand-alone.	Done
11.	<p>Under Staffing of the Council Review of the payroll for the period under review revealed that the Council has twenty (20) employees out of which ten(10) officers have been deployed from other Government Agencies. However, the staff establishment of the Council provides for eighty-nine (89) employees</p>	Since its inception, the Council has not been adequately funded to enable recruitment and remuneration of its own staff as per the approved staff establishment. This forced the Council to seek for the deployment of staff from other State Agencies and Ministries to enable operationalization of the Council	<p>Requests for funding to implement phase one were sent to the National Treasury during the audit period but funds have not been availed to enable the recruitment.</p> <p>The Council is complying with the requirements for SRCs approval for recruitment.</p>	Pending funding from the National Treasury to facilitate the recruitment of staff.

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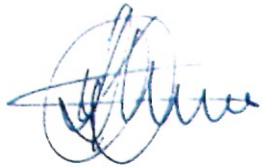
	<p>resulting in a variance of sixty-nine (69). In these circumstances, the Council may fail to achieve its mandate due to understaffing.</p>	<p>mandate, pending allocation of funds by the National Treasury.</p> <p>Implementation of the staff establishment is projected in three phases.</p>		
12.	<p>Lack of Risk Management Policy During the year under review, it was confirmed that the Council did not have in place an institutionalized Risk Management Policy, hence no formal approved processes and guidelines on how to mitigate operational, legal and financial risks such as:</p> <ul style="list-style-type: none"> • Identifying business risks relevant to financial reporting objectives • Estimating the significance of the risks • Assessing the likelihood of their occurrence • Deciding about actions to address and mitigate those risks <p>A lack of formally documented policies could lead to unclear direction on the management and operation in place and their related controls.</p>	<p>The Risk Management Policy is scheduled for development in the 3rd quarter, FY 2022/2023 in line with the Internal Audit Work Plan attached.</p> <p>The Plan to establish the Risk Management Framework in the Council was approved by the Audit and Risk Committee in their 6th meeting held on 12th October, 2022, and subsequently by the Full Council.</p>	<p>The risk management policy has since been developed and approved by the Council.</p>	<p>Done</p>
13.	<p>Low Uptake of Warehouse Receipting System</p>	<p>1. The low WRS uptake is a result of the Council target to onboard one</p>	<p>Pending adequate funding for sensitization and awareness creation as well as engagement of</p>	<p>Pending adequate funding for</p>

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	<p>During field verification to licensed warehouses and Cooperatives in Nakuru, Uasin Gishu, and Trans Nzoia Counties in February 2023, revealed that the Council did not have any commodities deposited in the warehouses by farmers or farmer groups. However, an interview with the farmers revealed the following challenges;</p> <ul style="list-style-type: none"> i. Farmers were turned away with maize that did not meet specified grades. ii. Middlemen are readily offering lucrative prices for maize therefore farmers have no need for storing their produce. iii. The lengthy process of certifying and licensing warehouses has discouraged farmers from depositing grains at their local stores. iv. High transportation cost to the licensed warehouses. 	<p>crop annually (FY 2021/2022 – maize, FY2022/2023 – potatoes) due to low funding;</p> <ul style="list-style-type: none"> 2. Small-scale farmers in Kenya is mainly practice rain-fed agriculture. Due to unfavourable weather conditions and drought, there have been no adequate surplus agricultural commodities for warehousing; 3. For better uptake and sustainability of the warehouse receipt system, we have recommended the inclusion of imported commodities; 4. Most commodities were turned away due to low-quality standards. WRSC will participate in postharvest management training products to avoid future occurrences; and 5. The Councils staff establishment has not been implemented due to lack of funding. 	<p>staff.</p>	<p>sensitization and awareness creation as well as engagement of staff.</p>
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	<p>v. Farmers have stores at home and therefore may not adopt the initiative.</p> <p>vi. High cost of production compared to the yields.</p> <p>vii. The lack of WRSC staff in the counties may hinder engagement.</p> <p>In the circumstances, the sustainability of the Council is doubtful.</p>			
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Lucy Komen

Ag. Chief Executive Officer

Date: 9th January, 2024

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Appendix II: Projects implemented by WRSC

Projects implemented by the Council Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Warehouse Receipt System	-	GoK	7 years	0	No	Yes

Status of Projects completion

	Project	Total project Cost Kshs. millions	Total expended to date Kshs. millions	Completion % to date	Budget Kshs. millions	Actual Kshs. millions	Sources of funds
1	Warehouse Receipt System	450	144	30%	19	19	GoK

Notes:

The Council's funding from the ex-chequer was development/capital for the establishment and implementation of the Warehouse Receipt System. The system was leased from EAGC in the FY 2020/21 and continued to be implemented within the FY 2022/23 though not completed and is still work in progress (WIP). The Council is yet to develop its own system due to financial constraints.

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Appendix III: Transfers from Other Government Entities

ENTITY NAME:				
Breakdown of Transfers from the State Department for Crop Development as at 30th June, 2023				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount Kshs.</u>	<u>FY to which the amounts relate</u>
		08/04/22	1,583,333.30	2022/2023
		09/30/22	1,583,333.00	2022/2023
		09/30/22	1,583,333.30	2022/2023
		11/14/22	1,583,333.30	2022/2023
		12/07/22	1,583,333.30	2022/2023
		01/16/23	1,583,333.35	2022/2023
		02/13/23	1,583,333.30	2022/2023
		03/08/23	791,666.50	2022/2023
		06/06/23	1,583,333.30	2022/2023
		06/09/23	50,000.00	2022/2023
		07/04/23	791,666.00	2022/2023
		Total	14,299,998.35	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount Kshs.</u>	<u>FY to which the amounts relate</u>
		10/19/22	12,500,000.00	2022/2023
		06/29/23	6,250,000.00	2022/2023
		Total	18,750,000.00	
Breakdown of Transfers from the State Department for Trade as at 30th June, 2023				
	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount Kshs.</u>	<u>FY to which the amounts relate</u>
		05/24/23	4,750,000.00	2022/2023
		Total	4,750,000.00	

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ENTITY NAME:				
Breakdown of transfers from Donor Partners as at 30th June, 2023				
b.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount Kshs.</u>	<u>Indicate the FY to which the amounts relate</u>
		25/05/2022	2,348,400	2022/2023
		Total	2,348,400	

The above amounts have been communicated to and reconciled with the parent Ministry of Agriculture, Livestock, Fisheries, and Co-operatives and Ministry of Industry, Trade and Investments.

