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REPORT

OF

THE AUDITOR-GENERAL

ON

**WAREHOUSE RECEIPT
SYSTEM COUNCIL**

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

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

WAREHOUSE

COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2022

**Warehouse Receipt System Council
Annual Report and Financial Statements
For the year ended June 30, 2022.**

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1. 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. At Cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock, Fisheries and Cooperatives, 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.

(c) Key Management

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

- Board of Directors/ Council.
- Chief Executive Officer; and
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Chief Executive Officer/Registrar	Mr. Samwel Ogola
2.	Head of Technical Services	Ms. Grace Agili
3.	Head of Business Development & Strategy	Ms. Lucy Komen
4.	Head of ICT & Central Registry	Mr. Gilbert Nyakundi
5.	Head of Legal & Compliance Services	Ms. Jacqueline Odundo
6.	Head of Finance and Accounts	Ms. Cecilian Muthoni
7.	Head of Procurement	Mr. Joel Osodo
8.	Head of Human Resource & Admin	Ms. Jane Were
9.	Head of Corporate Communication	Ms. Lucy Komen
10.	Head of Internal Audit	Ms. Clara Kangogo

(e) Fiduciary Oversight Arrangements

The Council has four (4 No.) fiduciary oversight committees as follows:

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i. Audit & Risk Committee

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

- 1) Christine Mwai-Marandu- Chair of the Committee (Independent Director representing Kenya Bankers Association)
- 2) Eng. Kipkurui Murgor- Independent Director representing Farmers
- 3) Eng. Kennedy Makudih- Alternate Director representing PS Agriculture
- 4) 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 strategic policies and strategy documents. The Committee is comprised of the following Council members:

- 1) Charles Njoroge, EBS- Chair of the Committee (Independent director representing warehouse operators)
- 2) Kello Harsama- Director General Agriculture and Food Authority
- 3) Rose Mutuku- Independent Director representing Eastern Africa Grain Council
- 4) PS National Treasury

iii. WRS Operations & Compliance Committee

The Committee provides guidance on the establishment and operationalization of the Warehouse Receipt System by the Warehouse Receipt System Council. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Council's establishment and operationalization of the WRS and Central Registry, certification and licensing of WRS value chain actors and promotion of a national network of publicly and privately-owned

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warehouses with a capacity to issue warehouse receipts. The Committee is comprised of the following Council members:

- 1) Rose Mutuku- Chair of the Committee (Independent Director Representing Eastern Africa Grain Council)
- 2) Benson Loktari- Representing Council of Governors
- 3) Eng. Kipkurui Murgor- Independent Director representing Farmers
- 4) Kello Harsama- Director General Agriculture and Food Authority

iv. Human Resource & Governance Committee

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

- 1) Benson Loktari- Chair of the Committee
- 2) Eng. Kennedy Makudiuh- Alternate Director to the PS Agriculture
- 3) Charles Njoroge, EBS- Independent Director representing warehouse operators
- 4) Christine Mwai-Marandu- Independent Director representing Kenya Bankers Association

(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

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(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, University Way
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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2. THE BOARD OF DIRECTORS/COUNCIL

	Directors	Details
	<p>Jane M. Ngige – Chairperson</p> 	<p>Qualifications</p> <ul style="list-style-type: none"> • Msc Food and Agriculture Biotechnology, University of Reading - UK • Post-graduate Certificate International Food Laws, The University of Michigan State-USA <p>Experience</p> <ul style="list-style-type: none"> • Currently involved in several national and regional development projects in agriculture, trade and development. • 15 years professional experience straddled across the civil service, private sector, Non-Governmental Organisations as well as development agencies. Jane honed her leadership skills while at the helm of the Kenya Flower Council and the Kenya Horticulture Council. • Board Member of the Kenya Private Sector (KEPSA) as well as the Agriculture Sector Network (ASNET).
1.	<p>Benson L. Ngoriakou</p>  <p>Representative Council of Governors</p> <p>Chair of the Human Resource & Governance Committee</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Laws (LL. B Hons) from the University of Nairobi • Postgraduate Diploma in Law from the Kenya School of Law <p>Experience</p> <ul style="list-style-type: none"> • Legal Officer at the Council of Governors Secretariat. • 5 years' regulatory compliance and governance expert involved in implementation of the Constitution especially devolution, human rights and public finance management. • Served in various Government agriculture committees including the Committee on the development of the Agricultural Sector Transformation and Growth Strategy (ASTGS) 2019-2029. • Member of several relevant Professional bodies.



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2.	<p>Rose Mutuku</p>  <p>Independent Director Chair of the Operations & Compliance Committee</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • MBA and International Relations University of Nairobi; • Qualified supply chain professional with MCIPS (UK) and also a graduate of National Defence College (NDC-Kenya) <p>Experience</p> <ul style="list-style-type: none"> • Founder and Managing Director of Smart Logistics. • 10 years' extensive experience in the grain industry as a warehouse operator, trader and processor in the region. • Extensive management experience in both the private and public sector organizations.
3.	<p>Christine Mwai-Marandu</p>  <p>Independent Director Chair of the Audit & Risk Committee</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • MBA from Cranfield School of Management in the UK. • Associate of Chartered Institute of Bankers (ACIB) qualification and certified Executive Coach <p>Experience</p> <ul style="list-style-type: none"> • Country Credit Director at Absa Bank Kenya PLC overseeing credit lending process for Retail and Business Banking, Corporate & Investment Bank and Markets (Foreign Exchange Sales and Trading). • 28 years' experience working for Barclays Bank in both Retail and Corporate banking environments in UK, South Africa and Tanzania in senior leadership roles. • Member of the Barclays Kenya Country Management Committee and the Board Credit Committee.

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<p>4.</p>	<p>Eng. Kennedy Makudih</p>  <p>Alternate Director to Principal Secretary 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>5.</p>	<p>Charles J. K. Njoroge, EBS</p>  <p>Independent Director Chair - Finance & Strategy Committee</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>6.</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>7.</p>	<p>Kello Harsama</p>  <p>AFA Director General</p>	<p>Qualifications</p> <ul style="list-style-type: none"> • Master’s Degree in Public Administration • Advanced Diploma in Public Administration (Kenya Institute of Administration) <p>Experience</p> <ul style="list-style-type: none"> • Acting Director General Agriculture and Food Authority (AFA) • 25 Years’ experience in the field of Public Administration. • Served as District Commissioner and County Commissioner in various stations in the field (State Department of Interior). • Served as Administration Secretary in the State Department for Crops.
<p>8.</p>	<p>Samuel Ogola</p>  <p>Ex-Officio</p>	<p>Qualification</p> <ul style="list-style-type: none"> • Executive Masters in Business Administration(EMBA): Leadership and Business Systems Development • Strategic Leadership Development Programme. (SLDP), KSG 2020 <p>Experience</p> <ul style="list-style-type: none"> • Previously Manager Regional Coordination (MRC coordinating County Governments and AFA. • Served as the Interim Head of Tea Directorate. • Over 30 years wide experience working with Government, Private sector and Industry organizations both locally and internationally. • Good Knowledge of Government’s Policies for the Agricultural sector as articulated in Vision 2030 and the Agriculture Sector Development Strategy (ASDS).

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3. Management Team

No	Name	Designation
1.	<p>Mr. Samwel Ogola</p>  <ul style="list-style-type: none"> • Executive Master of Business Administration (EMBA): Leadership and Business Systems Development • Strategic Leadership Development Programme. (SLDP) • Advanced Management Program – Strathmore Business School 	<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. Grace Agili</p>  <ul style="list-style-type: none"> • MSc. Management of Agricultural Knowledge Systems • BSc. in General Agriculture (UoN) • Diploma in Business and ICT (IAT) • Diploma in French at the French Cultural Centre 	<p>Head of Technical Services.</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.
3.	<p>Ms. Lucy Komen</p>  <ul style="list-style-type: none"> • Master of Business Administration, Strategic Management (Egerton) 	<p>Head of Business Development & Strategy</p> <ul style="list-style-type: none"> • Responsible for promoting the development of a national network of privately or publicly managed warehouses that have the capacity to issue warehouse Receipts and mobilizing investments and partnerships.



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No	Name	Designation
	<ul style="list-style-type: none"> • Bachelors of Business Administration, Marketing • Diploma in Information Technology • Member of the Marketing Society of Kenya (MSK) 	
4.	<p>Mr. 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 (JKUAT) • Bachelor of Commerce (Finance and Banking) (Egerton University) • M.K.I.S.M. 	<p>Head of Procurement</p> <ul style="list-style-type: none"> • Responsible for overseeing and coordinating Supply Chain Management and providing professional procurement advice to the Council.
5.	<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>Head 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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No	Name	Designation
6	<p>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>Head of Legal & Compliance Services</p> <ul style="list-style-type: none"> • Responsible for corporate secretarial services, corporate governance, legal matters and compliance with legal and regulatory requirements and certification of warehouse operators.
7	<p>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>Head of Internal Audit</p> <p>Responsible for continuous improvement of governance, transparency, accountability and integrity in Council resource management.</p>

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No	Name	Designation
8.	<p>Ms. Cecilia Muthoni</p>  <ul style="list-style-type: none"> • Bachelor of Business Administration in Accounts (St. Paul's University) • Certified Public Accountant of Kenya (CPA-K) • Member, Institute of Certified Public Accountants of Kenya (ICPAK) 	<p>Head of Finance and Accounts</p> <ul style="list-style-type: none"> • Responsible for financial reporting, accounting and financial management systems.
9.	<p>Mr. Gilbert Nyakundi</p>  <ul style="list-style-type: none"> • MBA Management Information Systems (Kenyatta University) • BSc. Information Sciences (Moi University) • Member: ISACA 	<p>Head 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.

4. Chairman's Statement

The Warehouse Receipt System Council was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019. The Warehouse Receipt System (WRS) supports the achievement of the food and nutrition security pillar of the Presidential Big 4 Agenda and the Vision 2030. The Council now in its second year of operations has built up on the momentum and foundation set in its 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 with a view to enabling the implementation of the WRS.

On 21st January 2022, Hon. Peter Munya, the Cabinet Secretary Ministry of Agriculture, Livestock, Fisheries & Cooperatives successfully launched the Warehouse Receipt System and the Warehouse Receipt System Operations Manual at the NCPB Store No. 14 at the Kitale Depot, TransNzoia County. The launch received a lot of media support especially through radio and print media.

The Council participated in the Dubai Expo 2020 in February 2022 and while there visited the Dubai Multi-Commodities Centre and the Hong Kong Star Foodstuff. The warehouse has fifty-six (56) cold storerooms for storage of fruits and vegetables such as potatoes, avocados and mangoes to mention a few. The delegation noted that the model can easily be replicated in Kenya under the WRS.

A high-level delegation experiential visit to India was organized by the Council and led by the Chief Administrative Secretary Mr. Lawrence Omuhaka in May 2022. This entailed visits to the Warehouse Development and Regulatory Authority, private warehouse operators and commodities exchanges with a view to learning best practices.

The key lessons learnt were the strong and vibrant participation by the private sector in successful implementation of the WRS in India with support by the government, an efficient central registry model and a large number of certified cooperative warehouse operators.

A key achievement during the period is the development of the Council's five-year Strategic Plan 2022-27. The Strategic Plan provides a broad roadmap for the Council and is intended to be a dynamic document that enables to Council to fulfil its vision and mission.

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Implementation of the WRS has not been without its challenges chief amongst which has been inadequate funds to the Council. This has constrained the sustainability of the Council in operationalizing and effectively implementing its mandate.

The other challenges include the dilapidated state of most of the public warehouses and low uptake of the WRS concept by the private sector. Additionally, the National Food Reserve have not activated the purchase of food through the Warehouse Receipt System. The delay in setting up the Kenya National Commodity Exchange (KOMEX) to facilitate the trading of receipts and lack 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.



**Jane M. Ngige
CHAIRPERSON**

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5. Report of the Chief Executive Officer

I am pleased to present the second Annual Report and Financial Statements of the Warehouse Receipt System Council for the year ending 30th June 2022. The Warehouse Receipt System supports the government's agenda on achievement of 100% Nutrition and Food security and the ASTGS due to its contribution towards structured trading of agricultural commodities and enabling access to agricultural credit and financial services.

WRSC prioritized Outreach programs on sensitization and awareness creation programmes on WRS concept, its benefits and the Warehouse Receipt System legal framework. Sensitization and capacity building activities were undertaken in thirty nine counties from four county regional economic blocs namely, Lake Region, Jumuiya ya Kaunti za Pwani, Central Region and North Rift Economic blocs and over 1000 stakeholders. This resulted in an additional Six value chains being proposed for onboarding onto the WRS.

The Council also successfully made a presentation on the WRS to the 4th Inter-Governmental Forum on Agriculture held in in January 2022 in Mombasa. This resulted in commitment and support from the Governors and Officials present at the Forum on the implementation of the WRS as well as a pledge to rollout implementation in respective counties.

The Council developed the Strategic Plan 2022-2027 and will implement upon validation by stakeholders.

To promote the use of a network of public and private warehouse with the capacity to issue warehouse receipts, the Council mapped out six potential warehouse operators: Africa Exchange (AFEX), Kenya National Trading Corporation (KNTC), Deep Sea Millers, Nakuru Grain Millers, King Millers, Bora Millers and three KCEP-CRAL warehouses. The Council also developed the warehouse Operations Manual to support the training of the warehouse Operators.

A total of 9No. Financial Institutions expressed interest to participate in the rollout of the WRS and are awaiting training by IFC to develop suitable WRS financial products. To facilitate Warehouse Receipt Financing the Council developed a Warehouse Receipt Finance Manual, a WRS Operations Manual and inspection guidelines to facilitate training and uptake of credit.

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The Council was categorized as a regulator 6B by the State Corporations Advisory Committee (SCAC) and its Human Resource Policy instruments (Organizational Structure, Career progression guidelines, HR policies and Procedures Manual) also approved. This will now enable the Council to recruit suitable staff in the next financial year.

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 no recurrent grants from the ex-chequer to enable it to fully undertake its operations.

Among other challenges were COVID 19, effects of climate change and the Ukraine-Russia war which have led to drastic reduction and high prices of commodities produced in the country. Additionally, limited access to certified warehouses by farmers has led to low uptake of WRS.

In spite of the above, I am looking forward to fully operationalising the Warehouse Receipt System in line with the mandate of the Council for additional value chains as we move to on-board beans, coffee and potatoes.



Samwel Ogola
Ag. Chief Executive Officer/Registrar

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6. Statement of Performance against Predetermined Objectives for FY 2021/22

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 2021/22 Performance Contract as follows:

1. Establish, maintain and develop the warehouse receipt system for agricultural commodities produced in Kenya;
2. Operationalize a Central Registry for the management of warehouse receipt transactions;
3. Operationalize the Council's institutional Frame-work;
4. Promote the development of a national network of privately or publicly managed warehouses that have the capacity to issue warehouse receipts; and
5. Capacity building, awareness and stakeholder outreach.

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 2021-2022 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
1. Establish, maintain and develop the warehouse receipt system for agricultural commodities produced in Kenya.	To establish a central registry, which enables licensing of Warehouse Operators by the County Governments, and generation of a warehouse receipt	1.Operationalization of the e-WRS	1.Leasing of an e-WRS	1. The Council successfully customized the WRS in readiness for commodities intake under the WRS. 2. Central Registry successfully developed on a cloud database under the MS SQL platform.

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Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
2. Operationalize a Central Registry for the management of warehouse receipt transactions.	To ensure successful issuance of warehouse receipts	1.Number of licensed Warehouse Operators 2.Volume of commodity deposited	1.Certification & Inspection 2.Capacity building 3.Pilot – proof of concept eWRS	1. 4 Warehouse Operators Licensed 2. 1,145/50kgs Bags of Maize deposited under WRS 3. Capacity building done in 2 Counties 4. Proof of Concept Launched on 13 th January, 2022
3. Operationalize the Council's institutional Framework.	To Develop the Councils Policy documents	Policy Documents developed: Strategic plan, Procedure Manual and HR Instruments.	1.Development of policy documents 2.Procurement of Consultant.	1. Council's Strategic plan developed (2022 -2026) 2. Human Resource Policy Instruments developed and approved by SRC - (Organizational Structure, Career Progression Guidelines, HR Policies and WRSC Salary Structure 3. WRS Procedure Manual developed
4. Promote the development of a national network of privately or publicly managed warehouses that have the capacity to issue warehouse receipts	Number of participating warehouses Reports List of Investors No. of projects sponsored by investors	Hold investment forums to attract interested investors into Warehousing	1. Partnership with KenInvest, Virtual/physical meetings held with NCPB, AGRA, IFC, AFA Directorates (Coffee, Fibre, Food), Financial institutions, Millers, CGA, Potato Council,	

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Strategic Pillar/Theme	Objective	Key Performance Indicators	Activities	Achievements
			CMA and KCEP-CRAL 2. Presentations & Pitch decks shared at the Dubai high-level business forum, Aldelano Solar Cold Chain Solutions (USA) 3. Two (2) MoUs signed	
5. Capacity building, awareness and stakeholder outreach	To enhance relationships with all stakeholders (Mobilization and sensitization)	Number of media forums conducted Number of Counties Sensitized	Awareness, Sensitization, training and Capacity building workshops	1. Successfully conducted programs in 32 Counties, utilising the County Economic bloc setup; 2. Council's website (www.wrsc.go.ke) and social media channels (Twitter and WhatsApp accounts), developed and hosted; 3. Developed promotional materials such as brochures, banners and merchandise. 4. Media breakfast and briefings in Nairobi, Trans Nzoia, Uasin Gishu and Nakuru Counties. Media campaigns and publications.

7. Corporate Governance Statement

a. Council Meetings Held

The Council has held five Full Council meetings in the FY2021/2022 inclusive of Committee meetings for Finance & Strategy, Operations & Compliance, Human Resource and Governance and Audit & Risk Committees and a board retreat to be taken through the draft Strategic Plan by the Consultant. All Council members have been in attendance. A representative of the Inspector General State Corporations was appointed to the Council in May 2022. A Succession plan is yet to be developed and a Board Charter has been developed and awaiting approval by the Council at the next full Council meeting.

b. Appointment of Chairperson and Members of the Council

i) Chairperson

The Chairperson of the Council **Mrs. Jane Mumbi Ngige** was appointed by H.E. the President of the Republic of Kenya vide Gazette Notice No. 3378 dated 16th April 2020 for three years starting from 16th April 2020 and whose term will expire on 15th April 2023.

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:

- a. **Benson Loktari Ngoriakou** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th March 2020 as a representative of the Council of Governors in line with provisions of Section 3 (3) (d) of the WRS Act and whose term will expire on 18th March 2023;
- b. **Rose Mawia Mutuku** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th March 2020 as a representative of Eastern African Grain Council in line with the provisions of Section 3(3) (h) of the WRS Act and whose term is set to expire on 18th March 2023;
- c. **Christine Mwai-Marandu** was appointed vide gazette notice No.2511 dated 19th March 2020 for three years starting from 19th March 2020 as a representative of the Kenya Bankers Association and whose term is set to expire on 18th March 2023;
- d. **Eng. Thomas Kipkurui Murgor** was appointed vide gazette Notice No. 6784 dated 2nd September 2020 for three years with effect from 2nd September 2020 as a farmer representative in line with Section 3 (3) (g) of the WRS Act, and whose term is set to expire on 1st September 2023;

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- e. **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 as a representative of warehouse operators in Kenya in line with Section 3 (3) (j) of the WRS Act and whose term is set to expire on 7th January 2024;
- f. **Beatrice Nyamwamu** was appointed in line with Section 3(3) (b) of the WRS Act as Director general AFA vide appointment letter;
- g. **Eng. Kennedy Makudiuh** was appointed as a representative of the PS responsible for Agriculture vide appointment letter dated 18th December 2019; and
- h. **Emma Mburu** was appointed as a representative of the PS Responsible for National Treasury vide appointment letter dated 24th November 2021.
- i. **Michael Muturi Macharia** was appointed as a representative of the Inspector General (Corporations) in line with Section 18(2) of the State Corporations Act Cap 446 vide appointment letter dated 9th June 2021.

c. Board Induction

The Chairperson and Members of the Council were inducted on their roles, duties and responsibilities by the Kenya School of Government in Naivasha from 11th -13th February 2021 in the FY2020/2021.

d. 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:

Name of the Committee	Members
Finance and Strategy Committee	<ol style="list-style-type: none"> 1. Charles J.K. Njoroge, EBS- Chair 2. Beatrice Nyamwamu 3. Emma Mburu 4. Rose Mutuku
Human Resource & Governance Committee	<ol style="list-style-type: none"> 1. Benson Loktari Ngoriakou-Chair 2. Eng. Kennedy Makudiuh 3. Christine Mwai- Marandu 4. Charles Njoroge
WRS Operations & Compliance Committee	<ol style="list-style-type: none"> 1. Rose Mutuku- Chair 2. Benson Loktari Ngoriakou 3. Eng. Thomas Murgor 4. Beatrice Nyamwamu
Audit & Risk Committee	<ol style="list-style-type: none"> 1. Christine Mwai-Marandu-Chair 2. Eng. Thomas Murgor 3. Eng. Kennedy Makudiuh 4. Emma Mburu

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e. Board and Member Performance

The Council has had 5No. 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.

During the FY2021/2022 Council meetings were held as follows:

MONTH	DATE	MEETINGS
July	29 th July, 2021	5 th Full Council Meeting
	5 th July 2021	2 nd Audit & Risk Committee Meeting
	12 th July 2021	4 th Finance & Strategy Committee Meeting
	19 th July 2021	4 th Human Resource & Governance Committee Meeting
	22 nd July 2021	4 th WRS Operations & Compliance Committee Meeting
September	29 th September 2021	1 st Special Full Council Meeting
October- November	12 th October 2021	3 rd Audit & Risk Committee Meeting
	13 th October 2021	5 th Finance & Strategy Committee Meeting
	19 th October 2021	5 th WRS Operations & Compliance Committee Meeting
	28 th October 2021	5 th Human Resource & Governance Committee Meeting
	5 th November 2021	6 th Full Council Meeting
February	1 st -4 th February 2022	2 nd Board Retreat
March	10 th January 2021	6 th Finance & Strategy Committee Meeting
	24 th January 2022	4 th Audit & Risk Committee Meeting
	17 th March 2022	6 th WRS Operations & Compliance Committee Meeting
	18 th March 2022	6 th Human Resource & Governance Committee Meeting
	29 th March 2022	7 th Full Council Meeting
May	23 rd May 2022	8 th Full Council Meeting on the Draft Strategic Plan
July	13 th July 2022	8 th Finance & Strategy Committee Meeting
	14 th July 2022	7 th Human Resource & Governance Committee Meeting
	18 th July 2022	7 th WRS Operations & Compliance Committee Meeting

f. Conflict of Interest

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

g. 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 will be conducted in the FY2022/2023 due to financial challenges.

8. Management Discussion and Analysis

The FY 2021/22 being the second year of operations for the Council, it has worked towards creation of temporary internal structures by adopting a recommended structure by the Ministry Secretariat on WRS for operationalization and staff temporarily deployed from existing Government Agencies. The Council being in its nascent stage currently only has a development grant allocation from the exchequer and is yet to generate appropriation-in-aid.

In partnership with the Ministry of Agriculture, Livestock, Fisheries & Cooperatives and AGRA, the Council undertook awareness and sensitisation of various value chain actors on WRS concept and legal and regulatory framework in four regional economic blocs Lake Region, Jumuiya ya Kaunti za Pwani, Central Region and North Rift respectively between September 2021 and February 2022 covering 36 counties in total and which targeted county officials, potential depositors and warehouse operators.

The Council was categorized as a regulator under Category 6B by SCAC. In addition, following the Council's approval of the draft Organizational structure and Human Resource Instruments (Career progression guidelines, HR policies and Procedures Manual) on 17th June 2021 the same were approved thereafter by the State Corporation Advisory Committee (SCAC) vide letter Ref. OP/SCAC 9/38 dated 3rd November, 2021. The Council through the Ministry of Agriculture, Livestock, Fisheries and Cooperatives wrote to the National Treasury seeking for recurrent expenditure to enable the recruitment of the CEO and other key staff in line with the organizational structure in the FY2022/2023.

The Council renewed Certificates of Conformity to NCPB as a warehouse operator for its warehouse stores in Nakuru, Trans-Nzoia, Uasin Gishu and Meru Counties and facilitated the relevant county governments in issuing renewed licenses for the same. In partnership with AFA, the Council pre-inspected eight (8) farmer-owned warehouses which are supported by KCEP-CRAL in Nandi, Bungoma, Kakamega, Trans Nzoia, Embu and Tharaka Nithi counties in preparedness for final inspections.

The Council also carried out a Value chain survey on the Irish potato in Meru, Nyandarua, Nakuru and Elgeyo Marakwet Counties to enable the Council plan for onboarding of the value chain under WRS in the next financial year. The survey showed the viability of the Irish potato value chain for onboarding under WRS with current production statistics at approximately 1, 468,831 in the four

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counties with potential for increased production due to cold storage facilities that would reduce post-harvest losses that stand at 30-40% as well as increased incomes and employment across the entire value chain.

A grant from AGRA to undertake a pilot project for the provision and uptake of warehouse receipt financing in 8 No. counties. The project was kickstarted in Bomet and Narok Counties respectively with the rest to be completed in the FY2022/2023.

The Cabinet Secretary Ministry of Agriculture, Livestock, Fisheries and Cooperatives, launched the Warehouse Receipt System and the Warehouse Receipt System Operations Manual on 21st January 2022 at the NCPB Store No. 14 Kitale Depot in TransNzoia County.

In collaboration with both County Governments and other key stakeholders, sensitization and training of stakeholders was carried out in Nakuru, Machakos, Kitui and Makueni, Counties in collaboration with KCEP-CRAL and the respective county governments. The sensitization targeted Agro-Processors Association of Kenya- Nakuru Chapter, county officials, cooperative leaders and potential warehouse operators on the WRS legal and regulatory framework, Operations Manual and the business case.

Members of the County Assembly Committees on Agriculture from Uasin Gishu, TransNzoia and Nakuru Counties were sensitized on WRS with emphasis on the role of political leadership of the counties in the successful implementation of WRS.

The Council has complied with the relevant statutory obligations with respect to KRA, NHIF, NITA and NSSF; WRSC Council members and top management do not have any existing conflict of interest issues or governance issues.

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.

9. 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 2022/23. 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 is comprised of 15 female and 12 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 2021/22 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 physical and mental well-being of the employees to enable peak performance on and off the job. In the year

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under review, the Council provided a comprehensive medical insurance for its 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) Market place 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 2021-22, 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.

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10. Report of the Directors

The Directors submit their annual report together with the financial statements for the year ended June 30, 2022, 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, 2022, are set out on page xvi to xxv.

iii) Directors

The members of the Board of Directors who served during the year are shown on page v-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. The Council had no surplus as at the end of the FY 2020/2021.

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, 2022.

By Order of the Board:

Name: 
JACQUELINE ODUNDO
Corporate Secretary/Legal

11. Statement of Directors 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 (period) ended on June 30, 2022. 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, 2022, and of the Council's financial position as at that date.

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.

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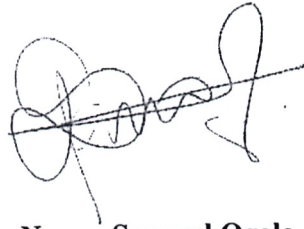
Nothing has come to the attention of the Directors to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The WRSC financial statements were approved by the Board on 28th September 2022 and signed on its behalf by:



**Name: Jane M. Ngige
CHAIRPERSON OF THE COUNCIL**

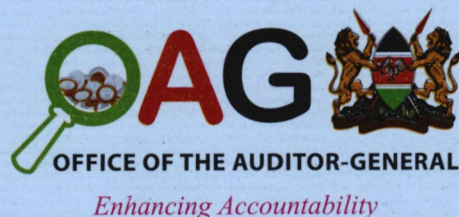


**Name: Samwel Ogola
ACCOUNTING OFFICER**

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REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WAREHOUSE RECEIPT SYSTEM COUNCIL FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Warehouse Receipt System Council set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in Presentation and Disclosure of Financial Statements

Review of the financial statements presented for audit revealed the following anomalies:

- i. The Note numbering in the main statements of financial position and financial performance does not match with the numbering in the Notes to the financial statements.
- ii. Notes 16 and 17 to the financial statements' receivables from non-exchange transactions and trade and other payables respectively does not reflect prior year figures.
- iii. The statement of financial performance reflects use of goods and services of Kshs.56,171,320, employee costs Kshs.11,832,846 and board expenses Kshs.4,720,721 and statement of financial position reflects trade and other payables Kshs.5,389,996. However, a tabulation of the accompanying Note 9, Note 10, Note 11 and Note 17 respectively, supporting Journal entries and schedules for the amended financial statements were not provided for audit verification.

In the circumstances, the accuracy, completeness, presentation and disclosure of the Council's financial statements for the year ended 30 June, 2022 could not be confirmed.

2. Incomplete Imprest Warrants and Register

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects use of goods and services amounting to Kshs.56,171,320 which includes imprest amounting to Kshs.10,846,166 cutting across various sub components under use of goods and services issued during the year under review. However, it was noted that the Council was issuing imprest without preparing and issuing numbered imprest warrants which should be in quadruplicate form bearing the name of the applicant, personal number, purpose of the imprest, days the officer will be in the field, authorizations by the accountant in charge of imprest vote book control and the accounting officer. Also, the warrant should be acknowledgement by the imprest holder. In addition, analysis of the imprest register revealed that the imprest register did not contain all the transactions that occurred in the first half of the financial year from 1 July, 2021 to 31 December, 2021.

In addition, included in the use of goods and services amount is travelling expenses amounting to Kshs.3,403,524 which further included imprest of Kshs.88,200 issued during the year and recorded in the ledger but could not be traced in the imprest register

In the circumstances, the accuracy and completeness of the use of goods and services amount of Kshs.56,171,320 for the financial year ended 30 June, 2022 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. 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 contravention of the circular Ref; DGIPE/A/1/10 from The National Treasury on the guidelines for preparation of annual budget for state corporations for financial year 2020/2022

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

2. Board Committees with Members Exceeding One Third of Full Board

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.

In the circumstances, Management was in breach of the law

3. Failure to Place Advertisements for Recruitments

During the year under review the Council recruited two officers to fill up the positions of Supply Chain and Communication Officer Assistants. However, no evidence of vacancies declared by the respective departments and advertisements of the recruitments were provided for audit.

In the circumstances, Management was in breach of the law

4. Failure to Collect Revenue

As disclosed in Note 6,7 and 8 to 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.

In addition, Regulation 15(2) of the Warehouse Receipt System Regulations, 2021 states that the registrar shall generate a certificate of registration for every warehouse receipt raised. However, out of the seven (7) warehouse receipts raised in Trans-Nzoia only four (4) were issued with a certificate of registration. Hence, it was not clear why the remaining three (3) were not issued with a Certificate of Registration.

In the circumstances, Management was in breach of the law

5. Unbudgeted Expenditure Under Development and Implementation of Strategic Plan

As disclosed in Note 9 to the financial statements, the statement of financial performance reflects use of goods and services of Kshs.56,171,320 which includes Kshs.7,154,373 for development and implementation of the strategic plan. However, included in this amount is expenditure of Kshs.1,712,000 on air tickets and imprest totalling to Kshs.1,121,229 taken towards the experimental visit to India by 2 board members and the Acting CEO which was not in the approved budget. It was not clear why the council incurred Kshs.2,833,229 that was not budgeted for.

In the circumstances, the value for money could not be confirmed.

6. Irregular Payment of Imprest Under Training and Capacity Building

As disclosed in Note 9 to the financial statements, 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 payment made to board members, CEO and other officers to attend the Dubai Expo 2020.

Review of the payment records revealed the following irregularities;

- 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.

In the circumstances, the value for money for expenditure of Kshs.16,323,233 on training and capacity building for the year ended 30 June, 2023 could not be confirmed.

7. Irregular Payment of Entertainment and Responsibility Allowances

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 to the Circular MSPS 2/1AVOLXXXVI/(118) dated 13 November, 2008 and Circular No. MSPS.2/1A VOL.XXXVII/ (111) dated 14 April, 2009.

In the circumstances, the Council was in contravention the circular on payment of allowances

8. 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.

In the circumstances, the regularity of the salary increments on contracted staff could not be confirmed.

9. 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 Kshs.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 documentation or explanation on how the consultant was identified, invited and the terms of engagement for the services.

In the circumstances, the value for money could not be confirmed.

10. Misclassification of Expenditure

As disclosed in Note 10 to the financial statements, the statement of financial performance reflects employee costs amount of 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 overstatement of the employee costs.

In the circumstances, the Council did not present the information as required by the reporting template.

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

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 resulting in a variance of sixty-nine (69).

In the circumstances, the Council may fail to achieve its mandate due to under staffing.

2. 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. The risks include identifying business risks relevant to financial reporting objectives, estimating the significance of the risks, assessing the likelihood of their occurrence and deciding about actions to address and mitigate those risks.

Lack of risk management policy could lead to unclear direction on the Management and control of either operational, legal and financial risks whenever they occur.

3. Low Uptake of Warehouse Receipting System

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;

- 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 production compared to the yields.
- vii. Lack of WRSC staff in the counties may hinder engagement.

In the circumstances, sustainability of the Council services could not be confirmed.

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

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Council's 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 discontinue the Council or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems

are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. 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 Council's policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 April, 2023

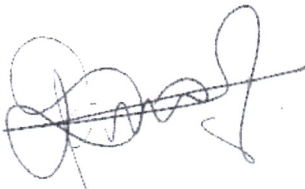
**Warehouse Receipt System Council
Annual Report and Financial Statements
for the year ended June 30, 2022.**

13. Statement of Financial Performance for the year ended 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	100,000,000	52,153,832
Donor funds	7	2,348,400	
Fees	8	4,000	5,000
Total Revenue		102,352,400	52,158,832
Expenses			
Use of goods and services		56,171,320	10,049,642
Employee costs		11,832,846	5,556,845
Board expenses		4,720,721	5,173,827
Depreciation expenses		4,182,969	1,503,417
Amortization expenses		1,674,373	-
Repairs and maintenance		1,290,985	541,184
Project expenses		-	18,607,772
Total expenses		79,873,213	41,432,686
Surplus/deficit before tax		22,479,187	10,726,146
Taxation		-	-
Surplus/(deficit) for the period/year		-	-
Remission to National Treasury		-	-
Net Surplus for the year		22,479,187	10,726,146

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:



Accounting Officer

Name: Samuel Ogola

Date: 3rd March, 2023



Head of Finance

**Name: Cecilia Muthoni
ICPAK Member No: 24029**

Date: 3rd March, 2023



Chairman of the Board

Name: Jane M. Ngige

Date: 3rd March, 2023

**Warehouse Receipt System Council
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for the year ended June 30, 2022.**

14 Statement of Financial Position as at 30 June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	16	13,903,418	5,348,906
Receivables	17	746,700	16,360
Total Current Assets		14,650,118	5,365,266
Non-Current Assets			
Property, plant and equipment	18	12,307,718	5,291,089
Intangible assets	19	11,637,492	4,940,000
Total Non- Current Assets		23,945,210	10,231,089
Total Assets		38,595,328	15,596,355
Liabilities			
Current Liabilities			
Trade and other payables	16	5,389,996	4,870,209
Total Current Liabilities		5,389,996	4,870,209
Non-Current Liabilities			
Total Non- Current Liabilities		-	-
Total Liabilities		5,389,996	4,870,209
Net assets			
Reserves		-	-
Accumulated surplus/deficit		33,205,333	10,726,146
Capital Fund		-	-
Total Net Assets		33,205,333	10,726,146
Total Net Assets and Liabilities		38,595,328	15,596,355

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



Accounting Officer

Name: Samuel Ogola

Date: 3rd March, 2023



Head of Finance

Name: Cecilia Muthoni
ICPAK Member No: 24029

Date: 3rd March, 2023



Chairman of the Board

Name: Jane M. Ngige

Date: 3rd March, 2023

Warehouse Receipt System Council
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15 Statement of Changes in Net Assets for the year ended 30 June 2022

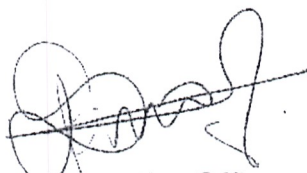
	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings Kshs	Proposed dividends	Capital/ Development Grants/Fund Kshs	Total Kshs
As at July 1, 2021	-	-	-	10,726,146	-	-	10,726,146
Surplus/ Deficit for the year	-	-	-	22,479,187	-	-	22,479,187
Capital/Development grants received during the year	-	-	-	-	-	-	-
As at June 30, 2022	-	-	-	33,205,333	-	-	33,205,333

**Warehouse Receipt System Council
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16. Statement of Cash Flows for the year ended 30 June 2022

		2021-2022	2020-2021
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	100,000,000	52,153,832
Donor funds	7	2,348,400	-
Fees	8	4,000	5,000
Total Receipts		102,352,400	52,158,832
Payments			
Use of goods and services	9	56,171,320	10,049,642
Employee costs	10	11,832,846	5,556,845
Board expenses	11	4,720,721	5,173,826
Repairs and maintenance	12	1,290,985	541,184
Project expenses		-	18,607,772
Total Payments		74,226,384	35,075,420
Net cash flow from operating activities		28,126,016	17,083,412
Cash flows from investing activities			
Purchase of property, plant, equipment	18	(11,199,640)	(11,734,505)
Purchase of intangible assets	19	(8,371,865)	-
Net cash flows from/to investing activities		(19,571,505)	(11,734,505)
Cash flows from financing activities			
Net cash flows from /to financing activities			
Net increase/(decrease) in cash and cash equivalents		8,554,511	5,348,907
Cash and cash equivalents at 1 JULY 2021		5,348,907	-
Cash and cash equivalents at 30 JUNE 2022	16	13,903,417	5,348,907

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



Accounting Officer

Name: Samuel Ogola

Date: 3rd March, 2023



Head of Finance

**Name: Cecilliah Muthoni
ICPAK Member No: 24029**

Date: 3rd March, 2023



Chairman of the Board

Name: Jane M. Ngige

Date: 3rd March, 2023

**Warehouse Receipt System Council
Annual Report and Financial Statements
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2022

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual Cumulative to June 2022	Performance difference	% of utilization
	a	b	c=a+b	d	Kshs	
RECEIPTS	Kshs	Kshs	Kshs	Kshs	e=(c-d)	F=d/c
Transfers from Government Entities	50,000,000	50,000,000	100,000,000	100,000,000		100.00
Other Receipts	-	-	-	4,000	(4,000)	
TOTAL RECEIPTS	50,000,000	50,000,000	100,000,000	100,004,000	(4,000)	100.00
					-	
EXPENDITURE					-	
Compensation of Employees	8,500,000	3,628,000	12,128,000	11,832,846	295,154	97.57
Use of goods and services	15,730,000	36,887,000	52,617,000	56,171,320	(3,554,320)	106.76
Acquisition of Assets	21,840,000	7,145,000	28,985,000	19,571,505	9,413,495	67.52
Board expenses	3,930,000	990,000	4,920,000	4,720,721	199,279	95.95
Repairs and maintenance	-	1,350,000	1,350,000	1,290,985	59,015	95.63
Depreciation expenses	-	-	-	4,182,969	(4,182,969)	
Amortization expenses	-	-	-	1,674,373	(1,674,373)	
TOTAL EXPENDITURE	50,000,000	50,000,000	100,000,000	99,444,718		99.44
SURPLUS/DEFICIT				559,282		

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

Revenue

The Council received certification fees for four warehouses for the Certificates of Conformity that had not been budgeted for but recognized as income since it was earned during the financial period.

**Warehouse Receipt System Council
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Acquisition of assets

The Council had planned to engage a consultant to undertake needs assessment and start on the development of the Central Registry and improve on the leased e-WRS at Kshs. 10 million which was not done within the financial year. However, licences for hosting of the e-WRS were renewed at a cost of Kshs. 2 million.

Depreciation expenses

The Council had not factored in the depreciation costs for its assets during the closure of 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.

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 2021. These were; IPSAS 41 Financial Instruments, IPSAS 42 Social benefits and IPSAS 30 have been amended but not yet applicable since they are effective January, 2023.

**Warehouse Receipt System Council
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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 annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Council. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

During the FY 2021/22, the Council only had an allocation of development funding and thus the budget was approved by the Full Council for implementation and forwarded to the Ministry for concurrence.

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:

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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

Notes to the Financial Statements (Continued)

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.

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, 2022.

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

**Warehouse Receipt System Council
Annual Reports and Financial Statements
for the year ended June 30, 2022.**

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 2021/22	Total transfers 2020/21
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department for Crop Development and Agriculture Research	100,000,000	-	-	100,000,000	52,153,832
TOTAL	100,000,000	-	-	100,000,000	52,153,832

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 2021/22	Total transfers 2020/21
	Kshs	Kshs	Kshs	Kshs	Kshs
Alliance for Green Revolution in Africa (AGRA)	2,348,400	-	-	2,348,400	0
Total	2,348,400	-	-	2,348,400	0

8. Fees

Description	2021-2022	2020-2021
	Kshs	Kshs
Fees	4,000	5,000
Total	4,000	5,000

These are fees paid for inspection for issuance of certificate of conformity at Kshs. 1,000 per warehouse.

**Warehouse Receipt System Council
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Notes to the Financial Statements (Continued)

9. Use of Goods and Services

Description	2021-2022	2020-2021
	Kshs	Kshs
Training and Capacity Building	11,846,283	4,274,390
WRS Launch	4,277,879	-
Inspection & Compliance	320,950	-
Warehouse Operations	1,928,537	2,117,030
Warehouse Receipt Financing	373,000	-
WRS Baseline survey	1,057,510	-
Publicity and promotional items	4,952,016	-
Stakeholder Sensitization	4,328,896	5,479,302
Medical, WIBA/GPA, insurance cover	5,201,709	-
Development and Implementation of S.P	7,154,373	-
Performance Contracting	1,582,702	-
Softwares and Licenses	2,000,000	3,169,990
Internet	508,000	-
Computer Accessories	264,624	391,100
Development of HR Policy Instruments	1,430,300	6,737,050
Staff Welfare	1,175,659	646,527
Email expenses	691,799	324,900
Fuel expenses	1,883,432	406,174
Newspapers, Periodicals, Journals	101,910	523,892
Bank Charges	96,427	54,580
Local Travelling Expenses	3,403,524	4,170,766
Taxi expenses	327,490	-
Common user-Printing & Stationery	552,898	361,713
Tender advertisements	292,106	-
Audit fees	556,800	-
TOTAL	56,171,320	28,657,414

10. Employee Costs

	2021-2022	2020-2021
	Kshs	Kshs
Salaries and allowances	11,219,846	5,556,845
Airtime expenses	613,000	-
Employee costs	11,832,846	5,556,845

11. Board Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Honoraria	960,000	880,000
Sitting allowances	2,624,000	1,400,000
Induction and Retreats	907,476	2,634,796
Travel and accommodation	72,800	36,400
Other expenses	156,445	222,630
Total	4,720,721	5,173,826

Warehouse Receipt System Council
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for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

12. Repairs and Maintenance

Description	2021-2022	2020-2021
	Kshs	Kshs
Automobiles	1,230,665	506,384
Computer and Electronic Equipment	60,320	34,800
Total	1,290,985	541,184

13. Depreciation Expenses

	Cost	Depreciation 2020-21	Depreciation 2021-22
	Kshs	Kshs	Kshs
Motor Vehicles	7,370,443	-	(1,842,611)
Computers And Related Equipment	4,860,274	(1,046,695)	(1,619,929)
Office & Communication Equipment	2,474,852	(144,169)	(309,357)
Furniture and Fittings	3,288,576	(312,595)	(411,072)
Total	17,994,145	(1,503,459)	(4,182,969)

14. Amortization Expense

	Cost	Amortization 2020-21	Amortization 2021-22
	Kshs	Kshs	Kshs
ERP System	8,371,865	-	(1,674,373)
Total	8,371,865	-	(1,674,373)

15. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current bank account	13,902,396	5,348,906
Petty cash	1,022	0
Total cash and cash equivalents	13,903,418	5,348,906

16. Receivables from Non-Exchange Transactions

Description	2021-2022
Imprest Debtors	Kshs.
Fredrick Okoth	31,800
John Kyule	31,800
Allan O. Agoi	35,000
Diana Nkatha	95,400
Jacqueline Odundo	374,400
Kenneth Ronoh Kiptoo	30,400
Leonard Mwashuma	32,500
Edward Wendoh	63,150
Jackson N. Mbecha	52,250
TOTAL	746,700

**Warehouse Receipt System Council
Annual Reports and Financial Statements
for the year ended June 30, 2022.**

Notes to the Financial Statements (Continued)

17. Trade and Other Payables

Payee	Description	Amount
Jiunge Cloud Ltd	Internet monthly bill - June 2022	112,000
Institute of Engineers	Publicity advert	112,000
Betty Inonda	Warehouse receipt financing	120,000
Stellah Gakii	Staff claim	15,000
Semara Hotels	Conference facilities	60,900
Semara Hotels	Conference facilities	110,200
Government advertising agency	Tender advert	292,106
Richardson Enterprises	Cloud hosting contract	150,000
NSSF	Monthly deductions -June 2022	4,000
Higher Education Loans Board	Monthly deductions -June 2022	4,075
NHIF	Monthly deductions -June 2022	13,300
Britam Life Assurance Company	Monthly deductions -June 2022	8,500
Ukulima Sacco	Monthly deductions -June 2022	8,600
Airtel Kenya	Monthly bill for June 2022	500
Safaricom PLC	Monthly bill for June 2023	2,990
Samuel Ogola	Over expenditure - India trip	49,880
Director Jane Ngige	Over expenditure - India trip	66,004
Director Benson	Over expenditure - India trip	66,004
KRA	Monthly deductions -June 2022	560,120
Jane M. Ngige - Honorarium	Chairperson honorarium - Q4	240,000
MFI Solutions	Equipment maintenance	34,800
Mac and More	Ipad repairs	25,200
Envag Associates (K) Ltd	Strategic Plan contract	630,000
Waterfall Agencies	Supply of furniture	320,700
DSL Solutions	ERP System Contract	837,187
Twenty Four Seven Ltd	Provision of meals	183,200
Embcomm Network	Airtime for June	92,000
Bolt Support KE	Taxi expenses - May and June	55,120
Meru ATC	Conference facilities	153,000
Mountain Breeze	Conference facilities	37,500
KALRO Dairy Research Institute	Conference facilities	58,310
Eastern Africa Grain Council	WRS - Work in progress	410,000
Office of Auditor General	Audit fees	556,800
TOTAL		5,389,996

**Warehouse Receipt System Council
Annual Reports and Financial Statements
for the year ended June 30, 2022.**

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment (PPE)

	Furniture and fittings	Computers	Office equipments	Motor Vehicle	Total
Cost	Shs	Shs	Shs	Shs	Shs
1st July, 2020	-	-	-	-	-
Additions	2,500,756	3,140,400	1,153,349	-	6,794,505
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
As at 30th June 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
Depreciation and impairment					
1st July, 2020	-	-	-	-	-
Depreciation	(312,595)	(1,046,695)	(144,169)	-	(1,503,459)
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
As at 30th June 2021	(312,595)	(1,046,695)	(144,169)	-	(1,503,459)
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)
Net Book Value as at 30th June 2021	2,188,162	2,093,705	1,009,180	-	5,291,047
Net Book Value as at 30th June 2022	2,564,910	2,193,649	2,021,327	5,527,832	12,307,718

b) Property, Plant and Equipment (PPE) costing

	Cost	Depreciation 2020-21	Depreciation 2021-22	NBV
	Kshs	Kshs	Kshs	Kshs
Motor Vehicles	7,370,443	-	(1,842,611)	5,527,832
Computers And Related Equipment	4,860,274	(1,046,695)	(1,619,929)	2,193,649
Office & Communication Equipment	2,474,852	(144,169)	(309,357)	2,021,327
Furniture and Fittings	3,288,576	(312,595)	(411,072)	2,564,910
Total	17,994,145	(1,503,459)	(4,182,969)	12,307,718

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Notes to the Financial Statements (Continued)

19. Intangible assets

	WIP	ERP System	TOTAL
Cost	KShs	KShs	KShs
1st July, 2020			
Additions	4,940,000	-	4,940,000
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June, 2021	4,940,000	-	4,940,000
Additions	-	8,371,865	8,371,865
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June 2022	4,940,000	8,371,865	13,311,865
Amortization			
1st July, 2020	-	-	-
Amortization	-	-	-
Disposals	-	-	-
Transfer/adjustments	-	-	-
As at 30th June, 2021	-	-	-
Amortization	-	(1,674,373)	(1,674,373)
Disposals	-	-	-
Transfer/adjustment	-	-	-
As at 30th June 2022	-	(1,674,373)	(1,674,373)
Net Book Value as at 30th June 2021	4,940,000	-	4,940,000
Net Book Value as at 30th June 2022	4,940,000	6,697,492	11,637,492

20. Cash Generated from Operations

	2021-2022	2020-2021
	KShs	Kshs
Surplus for the year before tax	22,479,187	10,726,146
Adjusted for:		
Depreciation	4,182,969	1,503,417
Amortization	1,674,373	
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	(730,340)	(16,360)
Increase in deferred income	-	-
Increase/Decrease in payables	519,787	4,870,209
Increase in payments received in advance	-	-
Net cash flow from operating activities	28,126,017	17,083,412

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Notes to the Financial Statements (Continued)

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	Unsupported balances			
a)	Lack of cash books, imprests registers and bank reconciliation statements to support cash and cash equivalents balances. Consequently, the accuracy and completeness, presentation and disclosure of cash and cash equivalents balance of Kshs. 5,365,000 could not be confirmed.	The Council used Microsoft excel to maintain the cashbook and ledgers to capture financial transactions for the FY 2020/21 summarized in the presented financial reports.	The Council has acquired the ERP system (Navision 365) which is being used to process Finance and Accounts transactions (Payable, Receivables, Inventory Control, Cashbook, bank reconciliation and Staff Payroll) and generate financial reports.	Resolved
b)	Non-Maintenance of Fixed Asset and intangible assets Register and thus details of assets owned by the Council such as dates of acquisition, costs location, depreciation and amortization charges and their net book values could not be confirmed.	Being the first year of the Council in operation, the council lacked many of the necessary systems but used the year to establish them. To improvise for the Assets Register, the Council maintained a list of assets that formed a good basis for the generation of an asset register.	The Asset register has been uploaded to the ERP system. The update on depreciation/amortization, additional and disposal of assets shall be conducted promptly. Annual depreciation and amortization of assets will also be done.	Resolved
d)	Unsupported payment Vouchers relating to expenses such as Domestic Travel and Substance, use of goods and services, Board expenses; and repairs and maintenance. The support documents that were missing included; approved work plans and activity	Finance and Accounts Department availed the support documents in response of the auditor's management letter for examination and review by the auditors.	The recruitment process for an Accountant is ongoing to support the departmental operations which include filling of vouchers and respective support documents. The department has been managed by one officer for a period of time.	Resolved

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	memos and supplier invoices.			
2	Use of Goods and Services			
a)	Unauthorized Payment Vouchers and employee costs	Where there was an omission for signing of the payment vouchers as observed, the authority to incur expenditure had been duly granted by the Accounting Officer, and tallied with the payment vouchers.	Relevant workflows have been set in the ERP System and designated officers authorize all vouchers before payment.	Resolved
3	Unprocedural Recruitment: During the year under audit, the entity recruited 7 staff on contract basis for different positions. Documents availed for audit showed that the Board members approved recruitment of twelve (12) employees. However, the approval did not specify the positions to be filled or the qualifications for the said vacancies. Further, there were no documents to indicate that the positions were advertised.	During the audit period, the Council did not have approved Human Resource Instruments. The Council approved the recruitment of 12 graduate staff in the functional areas that management had identified necessary for the day-to-day running and operationalization of the Warehouse Receipt System as per the WRS Act, 2019 namely Legal & Compliance, Technical Services (Warehouse Operations), ICT, HR & Administration, Supply Chain, Business Development, Training & Outreach, and Corporate Communications. Management however only recruited 7 in Legal & Compliance (1), ICT (3), Business Development (1), and Technical Services (2) on one-year contract terms. Applicants were shortlisted from the WRSC job applications database, interviews were conducted and successful applicants issued one-year contract employment.	The Council's Career Progression Guidelines, Organizational Structure and Staff Establishment have been approved to guide on the recruitment of staff. Relevant approvals are acquired before recruitment is conducted.	Resolved

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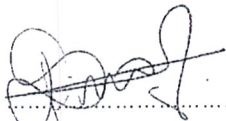
4	Unremitted tax deductions on board of directors allowances: Included in the balance is Kshs. 657,000 on unpaid KRA -tax on board allowances. The audit noted that the board members had not submitted their personal identification numbers(PIN) therefore the Council was unable to remit their PAYE to the Kenya Revenue Authority.	The Council members (Directors) have since submitted their KRA Pins except for one member who has since exited the board. Due taxes have been remitted to KRA accordingly.	Tax Deductions on Board allowances are promptly remitted.	Resolved
5	Unapproved Procurement Plan and failure to have Ad Hoc Evaluation Committee: During the year under review, the management did not have an approved Procurement Plan or an Ad Hoc Evaluation Committee in place to oversee procurement activities which is against the provisions of Public Procurement and Asset Disposal Act, 2015.	The Council was at its formative stage and with inadequate staff, started the approval of the procurement plan by the Finance and Strategy Committee of the Board during their 2nd meeting held on 3rd November 2020. During the financial year there was only one officer overseeing and performing all activities of the Supply Chain Management Department. Due to the bulk of work, ad-hoc committees were formed for high-value procurements (Above 3 million).	The Procurement Plans for the subsequent financial years 2021/2022 and 2022/2023 has been approved by the relevant institutions within the set timelines. Currently the Supply Chain Department is being manned by two officers. Ad Hoc Evaluation Committee are appointed to evaluate tenders and quotations sourced by the Council as provided by the Public Procurement and Asset Disposal Act, 2015.	Resolved
6	Weaknesses of the Warehouse Receipt System			
a)	The system is not real-time as indicated. This is because the Central Registry is not able to directly	Receipting is a function that involves two independent platforms NCPB-receipting and e-WRS central registry and therefore	Integration between the two systems is to be implemented in the 2 nd phase of the project.	June 2023

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	access data from the Warehouses. The officers have to rely on the Warehouse Operators to send them reports.	there was need to integrate the two. Integration did not take place due to budgetary constraints. The Council had to find other solutions (manual interventions) to facilitate transactions.		
b)	Passwords and security of the system is purely controlled by NCPB and not the WRSC,	The e-WRS enable warehouse operators to create personal accounts for license application. The system also allows WRSC administrators to create accounts for the council and county users for verification of the licensing processes. Account passwords are owned by individual users but access is restricted to the level of authority granted.	The Council is in the process of implementing its ICT policy which addresses all issues on information security. The Council will also inspect all systems for security vulnerabilities before integrating with the Council's systems.	Resolved
c)	The WRSC did not have a verification mechanism or controls to confirm that the data fed by the warehouse operators was correct before issuing certificates.	Data is fed into the eWRS after verification by data integrity officers and the warehouse manager. The Registrar verifies the data in the Warehouse Receipt based on the feedback given by the data integrity Officer before certifying the Warehouse Receipt.	Warehouse Operators are required to attach weighbridge tickets, grading sheets and Goods Received Note as supporting evidence to all certificate applications.	June 2023
d)	In the warehouses, WRSC module was hosted inside the navigation system that belongs to the National Cereals and Produce Board with no documents provided to support the agreement for the same between NCPB and WRSC.	The e-WRS and the NCPB receipting systems are independent and therefore hosted by the actual owners on preferred platforms. e-WRS is hosted on a secure cloud server and data between the two systems are	A warehouse operator is required to have a system that can integrate to the Central Registry. This is the basis of integrating with the NCPB system.	June 2023

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		transacted manually.		
7	Lack of a reliable management Information System: The Council was using Microsoft excel program to process data for Accounts Payable, Receivables, Inventory Control & Cashbook and Staff Payroll. The program was not supported and was not integrated with the Council's operations and lacked data security and access features.	The Council was in its formative stage and not having sufficient funding, used Microsoft excel for purposes of processing financial transactions coupled with substantial manual processes.	An ERP system (Navision 365) has been acquired and being used to process Finance and Accounts transactions (Payable, Receivables, Inventory Control & Cashbook and Staff Payroll) and generate financial reports.	Resolved
8	Lack of Risk Management Policy : The management had not put in place Risk Management Policy and Risk Mitigation Strategies.	During the period under review, the Council was at its formative stage and with limited resources which delayed the setting up of structures and Policies.	The Risk Management Policy is scheduled for development in the 3 rd quarter, FY 2022/2023.	June 2023



Samuel Ogola
Ag. Chief Executive Officer
Date

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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 donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Warehouse Receipt System	-	GoK	3 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	250	125	30%	125	117	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 2021/22 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 of Crop Development and Agricultural Research as at 30 th June, 2022				
FY 2021/2022				
a.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount</u>	<u>Indicate the FY to which the</u>
			<u>Kshs.</u>	<u>amounts relate</u>
		01/07/2021	50,000,000	2020/2021
		23/08/2021	25,000,000	2021/2022
		21/04/2022	25,000,000	2021/2022
		Total	100,000,000	
Breakdown of transfers from Donor Partners as at 30 th June, 2022				
b.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount</u>	<u>Indicate the FY to which the</u>
			<u>Kshs. '000'</u>	<u>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.

Head of Finance
Warehouse Receipt System Council

Head of Accounting Unit
State Dept of Crop Development

Signature

Signature

