

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 31 JUL 2019 DAY: Wednesday

TABLED BY: Hon. Benjamin Wachiuri
Clerk at the Table: Halima Ahmed

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OF KENYA
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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA ANIMAL GENETIC RESOURCES
CENTRE**

**FOR THE YEAR ENDED
30 JUNE 2018**



KENYA ANIMAL GENETIC RESOURCES CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

The Kenya Animal Genetic Resources Centre (KAGRC) formally, CAIS was established in 1946 through a Gazette Notice No. 557 as a semen production and distribution Centre. The centre has been given full autonomy as a State Corporation, through a Gazette Notice No. L.N. 110 of 5th September 2011. The new mandate of the centre includes production, preservation, distribution and conservation of animal genetic material as well as rearing of breeding sires for provision of high quality disease free semen to meet National demand and for export. KAGRC is situated 15 km from City Centre (West of the Nairobi City), and has its Headquarters in Lower Kabete in Nairobi and has land capacity of about 358 Acres, 125 bulls in the stud, Two administration Blocks, A Laboratory, Reticulated water system, Electrical installations, and other infrastructure.

The Centre works in close collaboration with other breeding organizations such as Kenya Stud Book, Dairy Recording Services of Kenya and Livestock Recording Centre, Research Organizations, Universities, community Based Organizations (CBOs) and individual farmers. Together, we implement the Contract Mating Program through which breeding sires are recruited to the centre for semen production and Progeny Testing Program (PTP). The PTP provides a basis against which the estimated breeding value of the bulls at the centre is calculated. In addition to this, the Centre has entered into a memorandum of understanding with American Holstein Friesian Association to undertake GENOMIC evaluation of our Bull Dams, the Bulls themselves and their heifers for efficient performance of the Centre. Four (4) dairy breed are kept in the Centre, namely Friesian, Ayrshire, Jersey and Guernsey and 1 beef breeds of bovine species namely Boran and Sahiwal, a dual purpose breed

(a) Principal Activities

The Centre's principal activity is the production and distribution of bull semen. The other mandates as stated in the legal notice 110 of September 2011 include the following;

1. Establish a national livestock resources gene bank for conservation of livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species for posterity in Kenya.
2. Conserve for posterity and avail livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species in Kenya for both research and Breeding
3. Engage in strategic semen production
4. Serve as a reference laboratory for certification, testing of semen, embryos and related livestock productive materials for purpose of import and export
5. Either alone or in collaboration with other institutions, provide information on the suitability and effectiveness of animal breeding products
6. Either alone or in collaboration with other institutions, develop and produce chemicals and laboratory products for use in the production of semen

7. Provide training in animal resource conservation procedures, semen, in-vitro and in-vivo embryo production and transfer and related technology transfer.

(b) Key Management

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

- Board of Directors
- The Managing Director
- Management

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

Name:	Designation:
Dr. David Kios	— Managing Director
Dr. Herbert Atsiaya	- Director Finance Human Resource and Administration
Dr. Paul Egesa	- Manager Germplasm Production and Quality Assurance
Dr. James Mbuchu	- Manager Animal Health
Dr. Roseline Wambugu	— Ag. Director Technical Services
Ms. Faith Aciita	- Manager Finance
Ms. Lucia Koskey	- Principal Human Resource & Administration Officer
Ms. Esther Gacheru	- Manager Internal Audit
Ms. Peris Miencha	— Ag. Manager Sales and Marketing
Ms. Naomi Jeptoo	- Head of Procurement

(d) Fiduciary Oversight Arrangements

The Board of Directors meets on quarterly basis to monitor the implementation of the Centre's planned strategy, review it in conjunction with its financial and budgetary performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. The Board held various meetings during the period under review, approved the Strategic Plan and revised Human Resource tools.

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board so as to ensure that the board plays the oversight role.

BOARD COMMITTEES

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board.

(a) Audit Committee

The Committee comprises of atleast 3 non-executive members of the Board who are independent of the day-to-day management of the Company's operations. The Head of Internal Audit is the secretary to the committee.

The Committee's responsibilities include;

- a) Considers the appropriateness of the Center's accounting policies and procedures.
- b) Monitors and assess the role and effectiveness of the internal audit function.
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of head of internal audit.

(b) Human Resource and Finance Committee

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Review and approve the Centre's budget
- b) Reviews and monitors the integrity of the Centre's annual and interim financial statements
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of staff

(c) Technical Committee

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Advising the board on all technical issues affecting the Centre
- b) Providing policy direction of Genomic Advisory Committee, laboratory processes and quality control
- c) Deals with policy direction of research on emerging technologies and best practices,

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(e) Entity

Headquarters
P.O Box 23070
Lower Kabete
Nairobi

(f) Entity Contacts

Telephone: 020-2064018, 4181325/6 DL: 020-2064027, Cell Phone:
0728899767/0737540670
E-mail: info@kagrc.co.ke
Website: [www.kenya animal genetic resources centre](http://www.kenyaanimalgeneticresourcescentre.co.ke)

(g) Entity Bankers

Barclays Bank of
Kenya Westlands
Branch P.O. Box
14403-00800
Nairobi, Kenya

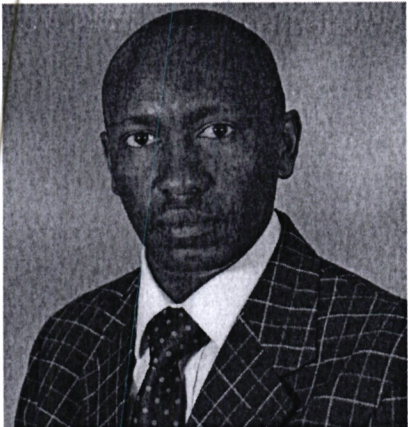
(h) Independent Auditor

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

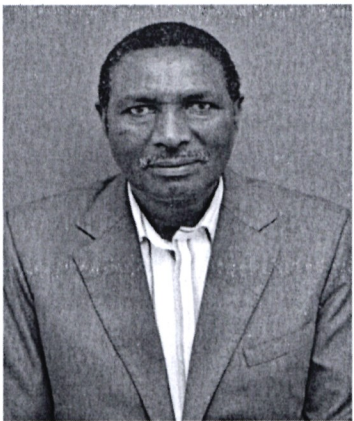
(i) Principal Legal Advisor

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

II. THE BOARD OF DIRECTORS

<u>PICTURE</u>	<u>PROFILE</u>
 Dr. Geoffrey Kamau Chairman BVM (UoN)	Dr. Geoffrey Kamau is the chairman of the Kenya Animal Genetic Resources Centre having been appointed to the office in April 2015. He oversees the development and promotion of optimum productivity of the national animal population through provision of high quality disease free animal germplasm and related breeding services. Dr. Kamau has wealth of experience in veterinary extension services acquired through working with farmers at various capacities in Kenya. In addition he has wide experience in leadership, partnerships and mobilization of teams and is also an entrepreneur in hospitality services. He is a graduate of Bachelor of Veterinary Medicine from the university of Nairobi.
 Dr. Bernadette Misoi BVM (UoN), MBA	Dr. Bernadette Misoi is a member of the board and Chairperson of the board audit committee. She has wealth of experience in livestock disease control, disease surveillance, veterinary public health, Artificial insemination services, veterinary extension services, hides skins and leather development, Livestock yards, training, inspectorate and the administrative work. She holds a Bachelor's degree in Veterinary Medicine and an MBA in strategic management.
 Dr. Walter Ongeti, PhD	Dr. Ongeti is an accomplished academician, strategic thinker, trainer, manager and a resourceful person with demonstrable leadership and management capacity including knowledge of strategic management, training, corporate governance and research. He earned a Doctor of Philosophy (PhD) degree in Business Administration majoring in Strategic Management and Corporate Governance from the University of Nairobi's School of Business in 2014; A Master of Business Administration (MBA) degree majoring in Strategic and Change Management (2009) from the University of Nairobi; A Bachelor of Education (B. Ed) degree majoring in Economics and Business studies (2003) from the same university. Dr. Ongeti has taught and supervised students at undergraduate masters and currently PhD levels. He has over 9 years' extensive experience in Research, Training and management consultancy in both the Private and Public sector in Kenya. Beyond the illustrious career, Dr. Ongeti is a distinguished member of

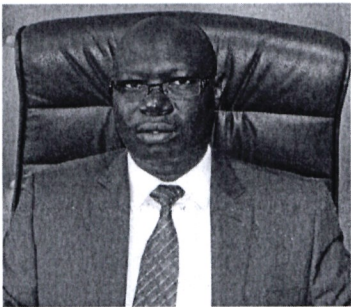
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	the society and a great contributor to community service through various activities. He is Presidential Appointee as a chairman of Jaramogi Oginga Odinga University of Science and Technology, a director, Kenya Animal Genetics Resources Centre and also a director at, Naivasha Water, Sewerage and Sanitation Company. He is also an accomplished motivational speaker and has so far delivered life changing talks to over 25 high schools, several institutions of learning as well as corporate entities. He remains focused on providing strategic leadership in academia, training, consulting, research as well as corporate governance.
 Dr. Obadiah Njagi, BVM (UoN), MSc	Dr. Obadiah Njagi is the Director of Veterinary Services and a member representing the Principal Secretary Ministry of Agriculture Livestock and Fisheries. Dr. Njagi has wide experience in leadership and collaborations in the field veterinary services. Dr Njagi is a graduate of Bachelor of Veterinary Medicine Degree and a Master of Science Degree in Veterinary Clinical Studies from the University of Nairobi. He represents Kenya in the O.I.E
 Late Gabriel Karia (Transition April 2018)	The Late Gabriel Karia was a member of the board and chairman of the Technical Committee up to his demise in April 2018. Mr. Karia is a graduate in animal husbandry dairy cattle classification (U.S.A) and artificial Insemination both in the U.S.A and Kenya. He served as a government livestock officer for (5 years), a sales representative for multinational companies (7 years) and as a bovine genetic marketer (15years), development projects consultant with U.S.A.I.D, SNV Netherlands and U.K Aid for (9 years) working with several farmer group, and individual farms across Kenya and beyond. Gabriel was passionate about livestock farming but had a special inclination for dairy cows development in community work.
 Mr. Robert Gatonga	Mr. Gatonga is a representative of the principal secretary of the National Treasury to the board. He is a member of the finance human resource and administration and the audit committee of the board. Mr. Robert Wanyundu Gatonga is currently a Resource Mobilization Officer at the National Treasury. He has previously worked with the State Department of Statistics and Planning as a District Development Officer. He is currently charged with mobilizing domestic and external resources for financing national and county budgetary requirements undertake bilateral and multilateral negotiations relating to grants and loans. He has vast experience in formulation of development plans

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	financial budgets. He is also an ICT expert especially in software and database management systems.
 Dr. Joseph Mureithi	Dr. Joseph Gichane Mureithi is currently the Deputy Director General for Livestock Research, Kenya Agricultural and Livestock Research Institute, a position he has held since July 2006. Prior to this, he served as the coordinator of the Legume Research Network Project (LRNP), the Soil Management Project, and Farmer Field School Project funded by the Rockefeller Foundation between 1997 and 2006. Dr. Mureithi is a forage agronomist who has extensive experience in green manure cover crops (GM/CCs) research and development work. As the coordinator of the LRNP he spearheaded the development of the GM/CCs systems for various agro-ecologies in Kenya and also characterized their potential niches. He is trained in participatory research methods and was involved in the training of five dairy research/extension clusters in Kenya in those methods. Dr Mureithi is a member of the Technical Committee of the Board.
 Dr. David K. Kios	Dr. David K. Kios – Managing Director Kenya Animal Genetic Resources Centre is a holder of Bachelor of Veterinary Medicine from University of Nairobi and Master of Science in Animal Breeding from the University of Pretoria, Republic of South Africa. Currently, he is in his final stage of PhD Thesis in Therigenology (Animal Production) at the University of Nairobi and research on improving efficiency of embryo transfer technology for improvement of animal breeding in Kenya. He is in charge of day to day running of the Centre’s activities and Secretary to the Board. He also serves as a Director at Action Aid Kenya and a member of the board of management of Kipture High School. He has extensive knowledge in research and development gained at the University of Eldoret.

III. MANAGEMENT TEAM

 Dr. David K. Kios BVM (UoN), MSc.VM	Dr. Kios is the Managing Director. He is in charge of day to day running of the Centre's activities and Secretary to the Board.
 Dr. Herbert Atsiaya BVM(Uon), MSc	Dr. Atsiaya is the Director Finance Human Resource and Administration. He is responsible for providing strategic leadership on all matters pertaining to financial and administrative management
 Dr. Paul Egesa BVM(UoN)	Manager, Germplasm and Quality Assurance. Dr. Egesa is the Manager, Germplasm and Quality Assurance. This function entails semen collection, evaluation, processing, packaging and certifying germplasm.
 Dr. James Mbuchu BVM (UoN)	Dr. Mbuchu is the Manager, Animal Health. Animal health and farm management function entail rearing of breeding animal and maintaining their health.

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Dr. Roseline Wambugu
BVM (UoN)

Dr. Wambugu is the Ag. Director Technical Services. Her duties involve coordinating the design and management of current and upcoming breeding technologies, semen production and quality control.



Ms. Faith K. Aciita
CPA(K), BCom (Fin), MBA
Strategic Management

Ms. Aciita is the Manager Finance. She is responsible for the prioritization of projects and activities for the purpose of financial reporting, preparation of annual budgets and overseeing expenditure monitoring.



Ms. Esther Gacheru
BCom(Finance), CPA(K)
Manager Internal Audit.

Ms. Gacheru is the Manager Internal Audit. She is responsible for reviewing the internal control systems, verifying operations and activities on the utilization of centre's resources. Preparation of audit reports and follow up on the implementation of audit recommendations.

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 Ms. Lucia Kosgey MBA (Human Resource)	Principal Human Resource and Administrative Officer. Ms. Koskei is the Manager, Human Resource and Administration. She is responsible for effective organisation and administration of the human resource management, development of appropriate human resource policies for effective performance and productivity, human resource planning, advising on proper deployment and succession management.
 Ms. Peris Miencha Bcom (Marketing)	Ms. Peris Miencha is the Acting Manager Sales and Marketing. She is responsible for disseminating market information to relevant stakeholders, establishing and managing database on market information and development partners
 Ms. Naomi Jeptoo Bachelor of Purchasing & Supply Management, MSc. Procurement & Logistics.	Ms. Naomi Jeptoo is in charge of the Supply Chain function in the Centre, handling the day to day procurement and issue of goods in the Centre.

IV. CHAIRMAN'S STATEMENT

The Kenya Animal Genetic Resources Centre (KAGRC) plays a critical role in Agriculture development especially in the livestock sector in Kenya. The performance of the livestock industry in the country relies on the provision of quality breeding and extension services. However, the performance can be enhanced by provision of efficient Artificial Insemination (A.I) services for it to make greater contribution to the economy and rural livelihoods. It would be imperative that the government re-examines the current strategy and facilitate the provision of the A.I Services in the country. Counties should be encouraged to invest an A.I through improved storage facilities for Semen and Liquid Nitrogen to be able to maximize on devolved liquid nitrogen plants. Consequently, this will lead to accessibility and availability of both Liquid Nitrogen and Semen to A.I providers at the county level.

I am pleased to report that during the financial year 2017/2018, the Board was able to approve new Human Resource tools, a Finance Manual and a Strategic Plan for use in the Centre. It is our hope that these will motivate staff to work harder. We had a productive retreat with Senior Management in Naivasha where Board bonded with staff.

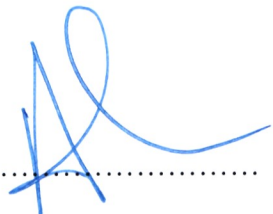
The Board signed a Performance contract with the Cabinet Secretary for Agriculture, Livestock and Fisheries. As a Board we believe this is one way of ensuring targets are set by the Centre and met. The Board did a self-evaluation under the guidance of officers from the State Corporation Advisory Commission registering impressive results.

The Centre's activities were hampered by the 75% reduction in development grant from the National Government. Increasing competition from mainly imported semen continues to pose a great challenge to the Centre.

Nevertheless, the Board of Directors has continued to oversee and ensure prudent financial management and direction for the Centre. We are consistently working towards improving on quality Semen production for local consumption and export. We believe distribution of Liquid Nitrogen will improve with the arrival of two (2) more Liquid Nitrogen trucks that we have requested from the Government.

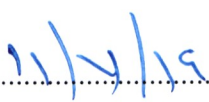
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Finally, towards the end of the Board's term, we lost a dedicated and resourceful member of the Board, the Late Gabriel Karia, the Chair of the Board's Technical Committee. May his soul rest in peace.

Signed.....

Dr. Geoffrey Kamau

Chairman Board of Directors

Date.....

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The financial year 2017/2018 was difficult one not only for the livestock sub sector but the entire Kenyan economy. During the year we registered a revenue drop of 3.6% from Kshs 274 million to Kshs 264 million. Grants increased by 33% from Kshs 26 million to Kshs 34.7 million. There was marginal drop of recurrent expenditure from Kshs 259 million to Kshs 253 million.

However with the guidance of the Board, we were able to achieve a number of targets and we intend to consolidate the gains in the next financial year. The Centre was able to formulate new human resource tools, a finance manual and revised its strategic plan to be in tandem with new government directives and priorities. We have embarked on cascading and sensitising staff about the same.

We have continued to partner with key stakeholders in the livestock sub sector to ensure the farmer who is the main consumer of our products benefits greatly. In this regard, we have signed a number of memorandums of understanding with several counties to help us achieve this goal. Agriculture being a devolved function requires partnering with county governments, and the centre will endeavour to leverage on this.

As we approach the end of the current ISO 9001:2008, we have put in place mechanisms to transit to ISO9001:2015 to improve our status as a leading producer of genetic products. We will soon break ground for a goat AI centre at our Kirinyaga station. We believe this is the next big thing in the livestock sector. We are thankful to the national government for the budgetary allocation and will lobby for increased budgeting.

The prolonged electioneering period slowed down the sector and indeed affected our sales to counties whose resources were focused towards more physical projects like roads.. This was worsened by the repeat election which meant more uncertainty. We thank God that we came out of it a stronger nation ready to move forward together. The 75% reduction of development grant was a big blow, since it meant abandonment of planned activities.

Considering the livestock Sector contributes 12% of the GDP, the Government should consider increased investment in training and equipping of Artificial Inseminators to meet the increased demand for Artificial Insemination. KAGRC envisages to produce 2Million Doses of Semen yearly in the next two (2) years. This will suffice to serve the increased demand for Semen in the country.

KAGRC has consistently played its role in ensuring reliable Artificial Insemination services delivery and provision of high-quality disease-free Semen to Kenyan farmers countrywide.

Production and conservation of animal genetics is also a costly undertaking as it requires expensive equipment and other inputs which are not locally available. The Centre intends to adopt new technologies and fully implement the Centre's expanded mandate but it's limited by unavailability of funds. We have since requested for more allocation from Treasury through the State Department of Livestock among other donors. This will ensure that our services can be accessed by all farmers.

The Centre has also had challenges in distribution of Liquid Nitrogen to farmers and other A. I service providers. We only have one truck fitted with a cryogenic tank used for distribution of Liquid Nitrogen in the whole country. This has caused a lot of inconveniences as it can't meet the demand in good time and more so greatly limited our ability to generate revenue from Semen and Liquid Nitrogen sales. We have since requested the Government through our parent Ministry to facilitate the Centre with two trucks fitted with cryogenic tanks with a capacity of 2000 litres each. The Centre intends to immediately station the two trucks in Bomet and Kirinyaga LN₂ Plants so that farmers can conveniently access our products and services. It is our hope that the Government will in the near future heed to our request for more funding so that this critical situation can be improved.

We intend to adopt new marketing strategies aimed at consolidating our strongholds as we venture into previously untapped areas. These will continuous collaboration with counties, training of AI providers, diversification into other genetics like goats, improved production technologies, genomics evaluation among others. We also intend to maximise on information technologies for efficiency.

It's our intention to expand our storage capacity in order to accomplish our other mandate of germplasm conservation. The available storage capacity can't allow us to produce excess for strategic reserves. We intend to engage the national treasury to offset pending bills.

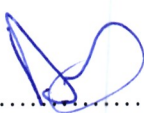
The Management will continue with the prudent use of resources allocated to it and to devise appropriate ways of cutting down expenditure. We are also reaching out to other development partners and stakeholders to find ways of working together in ensuring that our services are efficient and effective.

Despite the challenges, I and the entire Management team wish to acknowledge the Ministry of Agriculture Livestock and Fisheries and the Board of Directors for the immense support in our

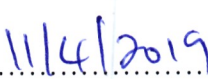
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journey. Through them we were able to achieve most of our performance targets. The livestock industry remains as a necessary catalyst for increasing farmers income, job and wealth creation aimed towards poverty alleviation in the country. KAGRC will continue to contribute significantly to the realization of the national development goals.

We have plans to introduce four new substations for Chicken breeding, Pig breeding, Dairy Goat breeding and Camel breeding to assist farmers improve other species of livestock whose production will help improve food security in the country. We also intend to have a fully-fledged in-vitro embryo production unit. All this has been proposed in the third medium term plan for 2018- 2022 and if approved by the Treasury will no doubt revolutionize animal production in Kenya.

Signed.....

Dr. David K. Kios HSC
Managing Director

Date.....

V. CORPORATE GOVERNANCE STATEMENT

At the Centre we are committed to the highest level of corporate governance which is critical to our business philosophy and to maintaining stakeholders trust. Our corporate governance policy functions as an inbuilt self-regulating mechanism, which provides the framework to monitor and ensure statutory compliance, foster a culture that values rewards the highest level of ethical standards and personal integrity. The centre strives to ensure that the board, management and staff act with integrity, honesty and professionalism at all times.

The board is comprised of six independent members and two representatives of the permanent secretary ministry of Agriculture Livestock and Fisheries and the permanent secretary National Treasury respectively. The board comprise of representatives of various organisations who contribute expertise and judgement, based on their professional qualifications and business expertise. The board reflects a diversity of background and experience.

Conduct of Business Operations, Performance

The Centre's operations are carried out within an established framework of processes, procedures, systems and in line with the strategic plan. The centre practises equal opportunity recruitment of qualified persons but ensures compliance in its hiring practises with policies guided by the constitution of Kenya (2010) in recognising regional and ethnic balance, gender balance and affirmative action to persons with disabilities where possible. The centre recognises its human capital as strategic to the achievement of its strategic goals and objectives. To ensure that staff wellbeing is taken care of, the centre has undertaken a comprehensive medical scheme for all its staff and dependants.

Risk Management and Internal Controls

The board has the overall responsibility for the establishment and oversight of the centre's risk management frameworks. Risk management policies are established to identify and analyse risks and set mitigation mechanisms to reduce occurrence. This is achieved through in-house risk review enhanced by internal and external audits.

ISO 9001:2008 Certification

The centre has a functioning and continuously monitored Quality Management System (QMS). The QMS is monitored through quarterly management review meetings, internal and external audits aimed at ensuring that it satisfies all customer requirements.

Compliance

The board is satisfied that the Centre has to the best of its knowledge complied with all the relevant laws and conducted its affairs in accordance with law in particular the State Corporation Act and the Legal Notice No.110. Further disclosures on compliance are set out in the statement of the board of directors responsibilities and notes to the financial statements.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

The Centre's operations are carried out within an established framework of processes, procedures, systems and in line with the strategic plan. Projects and activities are linked to the budgeting cycle and performance contracts. The Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with the International Public Sector Accounting Standards (IPSAS), the Public Financial Management Act and Treasury circulars released from time to time.

This requirement entails compliance with, and enforcement of the Constitution. The Centre has implemented elements of the Constitution that are relevant to KAGRC's mandate. In addition, the Centre has conformed to all laws and regulations and circulars related to KAGRC. This includes Public Procurement and Disposal Act, regulations and rules - this entails development and adherence to the procurement plan, submitting the plan to PPOA by 31st August and quarterly procurement plan implementation reports to the Authority in the format provided. Remittance of Statutory Deductions which include, repayment of Higher Education Loans Board dues by beneficiary employees, Statutory Taxes, NHIF, NSSF, PAYE.

In the current financial year, the Centre developed new human resource tools, a strategic plan and finance manual with assistance of an external consultant. The Centre had targeted to distribute 750,000 straws of semen and 0.31 million litres of liquid nitrogen for Artificial insemination in the country. These targets were not met due to a number of challenges key among them being influx of cheap imported semen, the prolonged drought and the prolonged electioneering period. We were able to set targets with our agents which helped monitor progress.

We intend to upscale our sales through use of media, establishment of a reward system for our agents, continuous engagement with our stakeholders, training of AI providers and acquisition of distribution vans.

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The Centre is also targeting to save on the cost of procuring hay through expansion of own hay fields in Ngong and Kabete farms respectively. This is expected to have a spill over effect in the next financial years.

The Centre has developed three proposals to mobilize external resources from East and Central Africa Agricultural Transformation Project (ECAATP), Climate Smart Project and the Small Holder Dairy Commercialization Project (SDCP). These projects will be implemented in the next financial year once the Centre resources are made available.

The Kenya Animal Genetic Resources Centre (KAGRC) formally, CAIS was established in 1946 through a Gazette Notice No. 557 as a semen production and distribution Centre. The Centre was been given full autonomy as a State Corporation, through a Gazette Notice No. L.N. 110 of 5th September 2011. The Centre has a present obligation of accrued gratuity for all its permanent staff as a result of transition from a department within the Director of Veterinary Services to a state corporation. It is probable that an outflow of resources embodying economic benefits will arise when they fall due.

The responsibility on government agencies is to promote high standards of integrity, demonstrate leadership through their own actions and through documented policies and procedures, and identify and address unacceptable practices. This involves actions by both the organisation and individuals. The Centre ensures strict adherence to the code of ethics and other internal policies and procedures without deviation. The Centre has set out an ethical culture and values at the organisation level, and implements those values through policies and codes of practice.

The heads of departments are required to demonstrate those values through leadership, to positively reinforce the values and also to ensure compliance with, and enforcement of, the values. KAGRC staffs are conscious at all times of the need to uphold the highest standards of conduct in their dealings with the public, which includes acting with integrity and avoiding conflicts of interest.

Explanation of Variances

- a) Current Year Actual Vs Prior Year Actual Results
 - i) GoK grant increased from Ksh 26M to 31M and there was a grant from Smallholder dairy Commercialization Programme grant of 3,762,850/-. There was also increased sale of LN2 containers and AI equipment and miscellaneous income especially disposals
 - ii) Repairs reduced due to prudent use of assets. Less PPE procured in the year.

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iii) General expenses increase was due to subsistence allowances that went up because of several retreats to prepare HR tools and engagement in SDCP activities, increased electricity costs during the period, provision for doubtful debts of 3.7m and consultancy services.

iv) Increased receivables was due to increase in debtors' level and staff medical cover prepaid.

b) Budget and Actual (Current Year)

i) There was a 75% reduction of development grant

ii) There was an increase in general expenses as explained (iii) above and slight increase in staff costs

c) Budget Current Year Vs Budget Prior Year

The Centre budgeted more this year because of the dairy goat project in Kirinyaga

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Centre recognises that the institution's social, environmental and ethical conduct has an impact on its reputation. The centre's relationship with its stakeholders is guided by its commitment to integrity, professionalism and inclusiveness. Accordingly, we are committed to ensuring that each person and entity collaborating with the Centre is treated with dignity and respect, and is given an opportunity to contribute to the Centre's success. We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities. We conduct regular customer satisfaction surveys, monitor suppliers and customers performance and actively encourage feedback from our employees using a variety of methods including employee satisfaction survey.

Diversity in our workforce and supply base helps foster the kind of innovation, sensitivity and vitality that enables us to effectively deliver our services. We embrace diversity across all levels of our collaborations and act on any feedback that improves our service delivery. During the financial year under review, the centre recognized the responsibility to act responsibly and constructively as a member of the surrounding communities, through donations to the nearby Nairobi Children's Home, Kabete Rehabilitation Centre and created awareness on drug and substance abuse to staff, and

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undertook HIV/AIDS sensitization, testing and counselling. To conserve the environment, the Centre participated in planting of five hundred trees at the Nairobi Children Home. The Centre also has a comprehensive medical cover that includes health talks to our staff.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Centre's affairs.

Principal activities

The principal activities of the Centre are contained in page two.

Results

The results of the entity for the year ended June 30th, 2018 are set out on pages 1 to 6

Directors

The members of the Board of Directors who served during the year are shown on page five. During the year under review one director the late Gabriel Karia passed on in April 2018.

Auditors

The Auditor General is responsible for the statutory audit of the Centre in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Centre's financial statements for year ended 30th June 2018 were audited by the office of the Auditor General.

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 (3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year (period) ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Centre; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Centre'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 PFM Act 2012, and the State Corporations Act Cap 446. The Directors are of the opinion that the Centre's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2018, and of the Centre's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

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

KENYA ANIMAL GENETIC RESOURCES CENTRE
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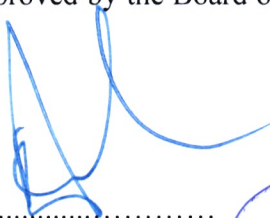
Approval of the financial statements

The Centre's financial statements were approved by the Board on **11th September 2018** and signed on its behalf by:



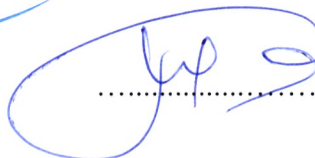
Dr. David Kios, HSC
Managing Director

Date... 11/4/2019



Dr. Geoffrey Kamau
Chairman Board of Directors

Date... 11/4/19



Dr. Walter Ongeti
Chairman, Finance & HR Committee

Date... 11/4/19

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Animal Genetic Resources Centre set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 Kenya Animal Genetic Resources Centre as at 30 June 2018, 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. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.391,757,448 as at 30 June 2018 disclosed in Note 18 to the financial statements excludes unknown value of seven parcels of land measuring 168.082 hectares for which the Centre has not obtained ownership documents as listed below:

Registration No.	Land size	Location/User
L.R.No.22380/26 Kabete	89.47 Hectares	Veterinary Headquarters
L.R.No.23362	47.47 Hectares	Artificial Insemination
L.R.No.23375/5	22.65 Hectares	Hayfield
L.R.No.23943	0.030 Hectares	Borehole
L.R.No.26536	0.198 Hectares	Staff Houses
L.R.No.22380	5.000 Hectares	Veterinary Hayfield
L.R.No.22387	3.264 Hectares	AHITI Kabete
Total	168.82 Hectares	

Report of the Auditor-General on the Financial Statements of Kenya Animal Genetic Resources Centre for the year ended 30 June 2018

Consequently, the legal ownership of the property without titles cannot be confirmed. In addition, without a valuation report on the aforementioned property and inclusion in the financial statements, the property, plant and equipment balance of Kshs.391,757,448 as at 30 June 2018 is not under the circumstances fairly stated.

2. Receivables from Exchange Transactions

The statement of financial position as at 30 June 2018 reflects receivables from exchange transactions balance of Kshs.39,612,847. The amount includes receivables from KAGRC Agents of Kshs.37,612,847 out of which Kshs.8,175,188 relates to debts outstanding for over 120 days. Further, included in the above Kshs.8,175,188 is an amount of Kshs.7,383,657 which has remained outstanding for over a year. No specific provision has been made in the books for non-recovery of these long outstanding amounts.

In addition, the amount of Kshs.39,612,847 includes receivables from KAGRC Agents who had exceeded their credit limits by Kshs.11,205,625 and sales to agents without credit limits and or contracts amounting to Kshs.15,434,519. No satisfactory reason has been given for failure by the Centre to observe the set credit limits. No specific provisions have been made in the books against non- recovery of these debts.

Consequently, the recoverability in full of the receivables from exchange transactions balance of Kshs.39,612,847 is doubtful.

3. Payables

The statement of financial position reflects a balance of Kshs.152,911,409 under trade and other payables from exchange transactions. As disclosed in Note 20 to the financial statements, the balance includes an amount of Kshs.77,137,287 described as trade payables. Included in trade payables, is an amount of Kshs.9,877,529 that has been outstanding for over a year. No satisfactory reason has been given for failure by the Centre to settle the long outstanding amount.

4. Biological Assets

The statement of financial position as at 30 June 2018 and as disclosed in Note 19 to the financial statements reflects a balance of Kshs.9,785,351 under biological assets. However, the balance does not include an amount of Kshs.1,058,000 disclosed in the assets register as biological assets related to trees. No satisfactory reason has been given for failure by the Centre to include the amount of Kshs.1,058,000 in the statement of financial position. As a result, the completeness and accuracy of the balance of Kshs.9,785,351 cannot be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Animal Genetic Resources Centre in accordance with ISSAI 30 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

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 Qualified Opinion 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

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 Qualified Opinion 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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the ability of Kenya Animal Genetic Resources Centre to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance

with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kenya Animal Genetic Resources Centre 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 Kenya Animal Genetic Resources Centre to cease sustaining 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 Kenya Animal Genetic Resources Centre 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

02 May 2019

KENYA ANIMAL GENETIC RESOURCES CENTRE
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For the year ended June 30, 2018

IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – government grants	6	34,762,850	26,000,000
		34,762,850	26,000,000
Revenue from exchange transactions			
Sale of goods and services	7	232,766,294	243,545,410
Other income	8	8,370,076	5,153,820
Total Revenue from exchange transactions		241,136,370	248,699,230
Total revenue		275,899,220	274,699,230
Expenses:			
Employee costs	9	112,004,098	109,849,543
Remuneration of directors	10	5,937,080	6,120,263
Depreciation and amortization expense	11	45,726,233	53,042,497
Repairs and maintenance	12	4,360,256	7,793,045
General expenses	13	107,993,013	82,722,185
Total expenses		276,016,730	259,527,532
Other gains/(losses)			
Surplus before tax		(117,510)	15,171,698
Surplus/(deficit) for the period		(117,510)	15,171,698

The notes set out on pages 1 to 21 form an integral part of these Financial Statements

KENYA ANIMAL GENETIC RESOURCES CENTRE
Reports and Financial Statements
For the year ended June 30, 2018

XII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	14	3,663,523	3,777,294
Receivables from exchange transactions	16	39,612,847	29,007,899
Inventories	17	262,738,200	221,785,800
		306,014,570	254,570,993
Non-current assets			
Property, plant and equipment	18	391,757,448	435,360,433
Biological Assets	19	9,785,351	9,744,351
		401,542,799	445,104,784
Total assets		707,557,369	699,675,777
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	152,911,409	144,912,306
Refundable deposits from customers	21	11,099,920	11,099,920
		164,011,329	156,012,226
Non-current liabilities			
Total liabilities		164,011,329	156,012,226
Net assets			
Capital Reserves		185,872,025	185,872,025
Revenue Reserves		338,765,515	338,883,026
Donations		18,908,500	18,908,500
Total net assets and liabilities		707,557,369	699,675,777

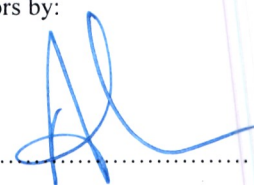
The Financial Statements set out on pages 1 to 21 were signed on behalf of the Board of Directors by:



Managing Director
Dr. David K.Kios HSC



Ag. Head of Finance
Silas W. Osundwa
ICPAK Member Number: 9601



Chairman of the Board
Dr. Geoffrey Kamau

Date 11/4/2019

Date 11-04-19

Date 11/4/19

KENYA ANIMAL GENETIC RESOURCES CENTRE
Reports and Financial Statements
For the year ended June 30, 2018

XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Attributable to the owners of the controlling entity			
	Reserves			
	Capital Reserve	Revenue Reserve	EAAPP Donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2016	185,872,025	323,711,327	18,908,500	528,491,852
Surplus/(deficit) for the period	-	15,171,698	-	15,171,698
Transfers to/from accumulated surplus	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year				-
Revaluation gain			-	-
Balance as at 30 June 2017	185,872,025	338,883,025	18,908,500	543,663,550
Balance as at 1 July 2017	185,872,025	338,883,025	18,908,500	543,663,550
Surplus for the period	-	(117510)	-	(117510)
Transfers to/from accumulated surplus	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	185,872,025	338,765,515	18,908,500	543,546,040

KENYA ANIMAL GENETIC RESOURCES CENTRE
Reports and Financial Statements
For the year ended June 30, 2018

XIV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities		(117,5100	15,171,698
Adjustments:			
Annual Depreciation	18	45,726,233	53,042,497
			-
Surplus Before working capital changes		45,608,723	68,214,195
			-
Changes in working capital			
(Increase)/Decrease in inventory/stocks	17	(40,952,400)	(73,041,500)
(Increase)/Decrease in Receivables	16	(10,604,948)	(1,029,542)
Increase/ (Decrease) in Payables	20	7,999,103	15,129,131
			-
Net Cash flows from Operating activities		2,050,478	9,272,284
Cash flows from Investing activities			
Acquisition of Property Plant and Equipment	18	(2,123,249)	(11,970,108)
Net Acquisition of biological asset	19	(41,000)	(202,000)
			-
Net cash flows from investing activities		(2,164,249)	(12,172,108)
Cash flows from financing activities			
Net cash flows used in financing activities		(113,771)	(2,899,824)
Net increase/(decrease) in cash and cash equivalents		(113,771)	(2,899,824)
Cash and cash equivalents at 1 July		3,777,293	6,677,118
Cash and cash equivalents at 30 June	14	3,663,523	3,777,293

KENYA ANIMAL GENETIC RESOURCES CENTRE

Reports and Financial Statements

For the year ended June 30, 2018

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	111,400,000	-	111,375,000	34,762,850	(76,612,150)
Sale of Goods	226,900,000	-	226,900,000	232,766,294	5,866,293
Other Income	9,100,000	-	9,100,000	8,370,076	(729,924)
Total income	347,400,000	-	347,400,000	275,899,220	(71,500,780)
Expenses					
Employee Costs	119,000,000	-	119,000,000	112,004,098	6,995,902
Remuneration of Directors	8,500,000	2,500,000	11,000,000	5,937,080	5,062,920
Depreciation and Amortization	-	-	-	45,726,233	(45,726,233)
Repairs and Maintenance	7,000,000	(1,500,000)	5,500,000	4,360,256	1,143,694
General Expenses					
Travelling and Subsistence	17,252,000	1,875,500	19,127,500	17,132,772	1,994,728
Telephone and Postage	2,900,000	-	2,900,000	2,534,270	365,730
Electricity and Water	34,000,000	(2,200,000)	31,800,000	35,573,554	(3,773,514)
Printing Stationery and Computer expenses	5,600,000	(1,300,000)	4,300,000	2,501,874	1,798,126
Training and ISO	4,000,000	(1,500,000)	2,500,000	1,102,690	1,397,310
Uniforms & Protective Clothing	1,500,000	-	1,500,000	910,167	589,833
Bank Charges	800,000	(100,000)	700,000	545,423	154,577
Provision for doubtful Debts	0	-	0	3,701,576	(3,701,576)
Subscriptions and Newspapers	200,000	-	200,000	115,440	84,560
Catering Services	1,000,000	-	1,000,000	1,196,880	(196,880)
Motor vehicle Insurance	1,200,000	-	1,200,000	482,340	717,660
Transport Operating Expenses	6,500,000	-	6,500,000	4,786,401	1,713,599

KENYA ANIMAL GENETIC RESOURCES CENTRE

Reports and Financial Statements

For the year ended June 30, 2018

Repairs and Maintenance of Motor vehicles	2,500,000	-	2,500,000	1,812,979	687,021
Miscellaneous and other charges	34,588,000	(21,600,000)	12,988,000	11,430,511	1,557,489
Audit Fees	1,160,000	-	1,160,000	580,000	580,000
Bull Recruitment and Maintenance	17,900,000	(6,900,000)	11,000,000	10,119,881	96,879,281)
Marketing and Advertisement	12,500,000	100,000	12,600,000	5,706,895	6,893,105
Capital expenditure	100,000,000	-	100,000,000	2,636,249	(97,363,751)
Total expenditure	347,400,000	-	347,400,000	271,446,786	(75,953,214)
Surplus for the period	-	-	-	4,452,433	4,452,433

Budget notes

- There was an unexpected 75% cut in development grant by the National government which heavily affected the Centre's operations.
- Employee costs was less than budgeted because the Centre didn't implement the new Salary structure as initially expected.
- Directors' remuneration was less because the anticipated implementation of monthly allowances was not done.
- There was an increase in electricity costs which had not been anticipated
- Bull recruitment costs went up because of imported semen
- We spend less on marketing because of partnering with other agencies especially in printing and organization of field days.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KAGRC is established by and derives its authority and accountability from Gazette Notice No.110 of 5th Sept 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Centre's principal activity is the production and sale of bull semen.

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, 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 KAGRC'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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KAGRC.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act treasury circulars 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

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2016) Revenue recognition

2016) Revenue from non-exchange transactions

Transfers from other government entities

The Centre receives both recurrent and development grants every year finance various activities and operations. Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. The Centre revenues mainly come from sale of deep frozen semen and Liquid Nitrogen which is used to preserve the semen.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2017-2018 was approved by the board in July 2018. No Subsequent revisions or additional appropriations were made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section six (6) of these financial statements.

2016) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

The Centre makes estimates in determining depreciation rates of property plant and equipment. The rates used are set out in the accounting policy for depreciation. Depreciation is calculated on reducing balance with a full year's charge on acquisition and none on disposal. The annual depreciation rates used are:

Buildings 2%

Farm Machinery 20%

Computers 33%

Plant and Equipment 12.5%

Motor Vehicles 20%

Loose Tools 33%

Furniture and Fittings 33%

2016) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

f) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

g) Changes in accounting policies and estimates

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

h) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

i) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

j) Cash and cash equivalents

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

k) Comparative figures

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

l) Reserves

The Centre creates and maintains reserves in terms of capital reserves, revenue reserves and donations received from development partners in form of asset donations.

m) Biological Assets

Estimates and judgements are continually evaluated on the basis of historical experience and other factors including future events that are believed to be reasonable under the circumstances. The carrying value of biological assets disclosed in the financial statements is at cost.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

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, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from other governments

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Operational grant	31,000,000	26,000,000
Other-SDCP	3,762,850	-
	34,762,850	26,000,000
Conditional grants		
Total government grants and subsidies	34,762,850	26,000,000

6b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2016-2017
			KShs	KShs	KShs
Ministry of Agriculture Livestock and Fisheries	31,000,000	-	31,000,000	31,000,000	26,000,000
Total	31,000,000	-	31,000,000	31,000,000	26,000,000

7. Sale of goods

Description	2017-2018	2016-2017
	KShs	KShs
Sale of goods		
Sale of Deep Frozen Semen	135,318,350	129,315,700
Sale of Liquid Nitrogen	48,414,295	52,510,900
Other- Production Income	49,033,649	61,718,810
Total revenue from the sale of goods	232,766,294	243,545,410

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other income

Description	2017-2018	2016-2017
	KShs	KShs
Liquid Nitrogen Containers	3,269,600	1,584,000
Artificial Insemination Equipment	2,073,574	1,485,905
Miscellaneous Income eg disposal of bulls, fees	2,196,952	1,225,963
Rental Income	829,950	857,952
Total other income	8,370,076	5,153,820

9. Employee costs

	2017-2018	2016-2017
	KShs	KShs
Salaries and wages	92,190,085	94,189,024
Employee related costs – contributions to medical aids	12,239,563	10,300,175
Employee related costs – contributions to pensions and gratuity	7,574,450	5,360,344
Employee costs	112,004,098	109,849,543

10. Remuneration of directors

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	880,000	960,000
Directors emoluments	5,057,080	5,160,263
Total director emoluments	5,937,080	6,120,263

11. Depreciation and amortization expense

Description	2017-2018	2016-2017
	KShs	KShs
Property, plant and equipment	45,726,233	53,042,497
Total depreciation and amortization	45,726,233	53,042,497

12. Repairs and maintenance

Description	2017-2018	2016-2017
	KShs	KShs
Equipment and machinery	4,356,306	7,793,045
Total repairs and maintenance	4,356,306	7,793,045

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. General expenses

Description	2017-2018	2016-2017
	KShs	KShs
Travelling and Subsistence	17,132,772	11,582,660
Telephone and Postage	2,534,270	2,381,096
Electricity and Water	35,573,514	26,822,807
Printing, Stationery and Computer Expenses	2,501,874	3,201,183
Training and ISO	1,102,690	468,040
Uniforms and Protective Clothing	910,167	390,155
Bank Charges	545,423	760,577
Provision for Bad Debts	3,701,576	
Subscriptions	115,440	108,360
Catering Services	1,196,880	973,539
Motor Vehicle Insurance	482,340	285,152
Transport Operating Expense	4,786,401	5,670,619
Motor Vehicle Servicing	1,812,979	821,986
Miscellaneous Charges	11,430,511	7,722,443
Audit Fees	580,000	580,000
Bull Recruitment and Maintenance	17,879,281	15,137,013
Marketing and Advertisement	5,706,895	5,816,556
Total general expenses	107,993,013	82,722,185

14. Cash and cash equivalents

Description	2017-2018	2016-2017
	KShs	KShs
Current account	3,633,004	3,738,860
Cash in Hand	30,519	38,433
Total cash and cash equivalents	3,663,523	3,777,293

15. Detailed analysis of the cash and cash equivalents

		2017-2018	2016-2017
Financial institution	Account number	KShs	KShs
a) Current account			
Barclays Bank of Kenya	0731056080	1,186	6,674
Barclays Bank of Kenya	0731082928	450,280	28,102
Barclays Bank of Kenya	0731082901	3,181,538	3,704,084
Sub- total		3,633,004	3,738,860
b) Others (specify)			
Cash in hand		30,519	38,433
Sub- total		30,519	38,433
Grand total		3,663,523	3,777,293

16. Receivables from exchange transactions

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
KAGRC Agents	37,015,756	24,805,490
Provision for doubtful debts@10%	3,701,576	
Net Debts	33,314,181	24,805,490
Staff Debtors	98,450	271,826
Other exchange debtors-medical cover	6,200,216	3,930,853
		-
Total current receivables	39,612,847	29,007,899
Non-current receivables		
Total non-current receivables		-
Total receivables	39,612,847	29,007,899

17. Inventories

Description	2017-2018	2016-2017
	KShs	KShs
Semen Stocks	262,738,200	221,785,800
Total inventories at the lower of cost and net realizable value	262,738,200	221,785,800

**Kenya Animal Genetic Resources Centre
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Property, Plant and Equipment

	Buildings	Motor vehicles	Farm Machinery	Computers	Loose Tools	Plant and equipment	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2016	117,273,741	46,584,227	4,038,153	39,201,375	866,240	457,166,077	665,129,813
Additions	10,466,892	-	680,000	415,000	-	428,216	11,970,108
Disposals							
Transfers/adjustments	-	-	-	-	-	-	-
At 30 th June 2017	127,720,633	46,584,227	4,718,153	39,616,375	866,240	457,594,293	677,099,921
Additions	351,000	-	90,000	537,500	351,530	793,219	2,123,249
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30 th June 2018	128,071,633	46,584,227	4,808,153	40,153,875	1,217,770	458,387,512	679,223,170
Depreciation and impairment							
At 1 July 2016	6,924,041	30,154,435	2,509,933	27,855,791	644,225	120,608,566	188,696,991
Depreciation	2,415,932	4,107,448	441,644	3,880,993	73,265	42,123,216	53,042,497
Impairment	-	-	-	-	-	-	-
At 30 June 2017	9,339,973	34,261,883	2,951,577	31,736,784	717,490	162,731,782	241,739,489
Depreciation	2,374,633	3,080,586	371,315	2,777,640	165,092	36,956,966	45,726,233
Disposals							
Impairment							
Transfer/adjustment							
At 30 th June 2018	11,714,606	37,342,469	3,322,892	34,514,424	882,582	199,688,748	287,465,722
Net book values							
At 30 th June 2018	116,357,027	9,241,758	1,485,261	5,639,451	335,188	258,698,764	391,757,448
At 30 th June 2017	118,380,660	12,322,344	1,766,576	7,879,591	148,750	294,862,511	435,360,432

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Investment In Biological Assets

Description	2017-2018	2016-2017
	KShs	KShs
At beginning of the year	9,744,351	9,542,351
Additions	581,000	562,000
Disposal	(540,000)	(360,000)
At end of the year	9,785,351	9,744,351

20. Trade and other payables from exchange transactions

Description	2017-2018	2016-2017
	KShs	KShs
Trade payables	77,137,287	64,382,868
Payments received in advance	14,799,528	22,637,845
Employee Gratuity	59,234,594	56,731,593
Third-party payments	1,740,000	1,160,000
Total trade and other payables	152,911,409	144,912,306

21. Refundable deposits from customers

Description	2017-2018	2016-2017
	KShs	KShs
Customer deposits	11,099,920	11,099,920
Total deposits	11,099,920	11,099,920

22. Related Party Balances

a) Nature of related party relationships

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

The entity is related to

- i) The National Government;
- ii) Ministry of Agriculture Livestock and Fisheries
- iii) The National Treasury;
- iv) The general public;
- v) Livestock Producers;
- vi) Key management;
- vii) Board of directors;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related Party Balances (continued)

c) Key management remuneration

	2017/2018	x 2016/2017
Directors	5,937,080	6,120,263
Key management compensation	<u>31,036,763</u>	<u>28,256,707</u>
	<u>36,973,843</u>	<u>34,376,970</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Financial Risk Management

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

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

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of general provisions for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

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

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. For the case of the centre, the exposure is minimal since the purchases are very few.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The centre does not have such risk at the moment since it does not hold any deposits in fixed deposit accounts.

24. Currency

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

Kenya Animal Genetic Resources Centre
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XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

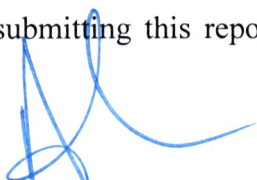
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Ref. KAGRC/2016/2017 (3)	No provision was made in the books for outstanding debts over one year amounting to Kshs.3,680,758	Provisions will be made in subsequent years.	Dr. David K. Kios	Resolved	Resolved
	The Centre lacks land ownership documents for the parcels of land it currently occupies	The Centre has written the parent ministry requesting for the parcels of land it occupies to be transferred in the name of KAGRC.		Not resolved	Not resolved
	Failure to pay debts amounting to Kshs.40,295,136 outstanding for over one year.	The Centre has not received funding yet to help in clearing the debts.		Not Resolved	Not resolved

Guidance Notes:

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


Dr. David K. Kios, HSC
Managing Director


Dr. Geoffrey Kamau
Chairman of the Board

Date.....11/4/2019.....

Date.....11/4/19.....

Appendix 2: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the State Department of Livestock			
	FY 17/18			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		20/09/2017	1,500,000	2017/2018
		28/12/2017	1,500,000	2017/2018
		05/02/2018	1,500,000	2017/2018
		07/05/2018	1,500,000	2017/2018
		Total	6,000,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		20/09/2017	25,000,000	2017/2018
		Total	25,000,000	

The above amounts have been communicated to and reconciled with the Parent Ministry

Finance Manager
KAGRC

Head of Accounting Unit
Ministry

Sign  -----

Sign-----