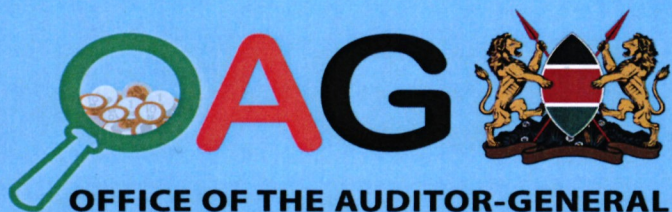


REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
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**REPORT**

DATE: 07 JUN 2023

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BY:

Hon. Kimani Ichung'wa  
(Majority Party Leader)

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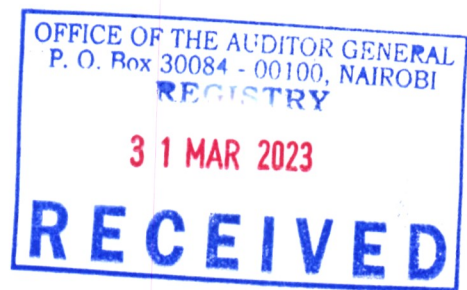
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**THE AUDITOR-GENERAL**

**ON**

**KENYA PLANT HEALTH INSPECTORATE  
SERVICE**

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



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**KENYA PLANT HEALTH INSPECTORATE SERVICE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

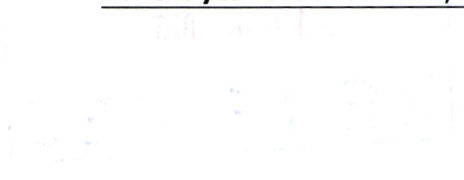
**FOR THE FINANCIAL YEAR ENDING  
30<sup>TH</sup> JUNE 2022**

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

**Kenya Plant Health Inspectorate Service,  
Annual Report and Financial Statements  
For the year ended June 30, 2022**

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**Kenya Plant Health Inspectorate Service,  
Annual Report and Financial Statements  
For the year ended June 30, 2022**

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

Kenya Plant Health Inspectorate Service (KEPHIS) is a regulatory body established by the KEPHIS Act No.54 of 2012. The role of the Corporation is to undertake regulatory function in the agricultural sector on matters regarding plant protection, seeds and plant varieties to assure quality of agricultural inputs and produce.

### **(b) Mandate**

The functions of KEPHIS are outlined in the KEPHIS Act No. 54 of 2012 as follows:

- a) Regulate matters relating to plant protection, seeds and plant varieties;
- b) Administer and enforce Sanitary and Phytosanitary measures;
- c) Support the administration and enforcement of food safety measures;
- d) Establish service laboratories to monitor the quality and levels of toxic residues in agro inputs, irrigation water, plants, soils and produce;
- e) Be the principal advisor to the Government on issues relating to seeds and planting material;
- f) Implement plant variety protection in Kenya, administer plant breeders' rights and maintain the Plant Breeders' Rights Register;
- g) Undertake plant variety testing and description, seed certification and plant quarantine control;
- h) Undertake inspection and grading of plants and plant produce at the ports of entry and exit;
- i) In consultation with other relevant agencies, develop and implement standards for seed and plant materials;
- j) Implement and enforce national biosafety regulations on the introduction and use of genetically or living modified species of plants, insects and microorganisms, plant products and other related species;
- k) Regulate import and export of plants and plant materials;
- l) In consultation with other relevant agencies, regulate the commercial exploitation of naturally occurring plants and plant-related microorganisms;
- m) Register and license seed merchants, seed growers, agents and any other person who may be required to be registered under the provisions of this Act or any of the laws specified in the First Schedule;
- n) Enter into association with such other bodies or organizations or authorised persons as the Board may consider desirable or appropriate in furtherance of the purposes for which the Service is established;
- o) Be the liaison office for international conventions relating to plant variety protection, plant protection, seed certification and dealing with endangered species or any other related conventions.

**(c) The KEPHIS Management Structure**

The management structure of the Service consists of the following organs:

**(d) The Board of Directors**

Board of Directors for the Service is responsible for the policy, control and management of the Service. The Board consist of:

- a. A chairperson;
- b. The Principal Secretary to the Treasury or a designated representative;
- c. The Principal Secretary in the Ministry responsible for agriculture or a designated representative; and
- d. Seven other persons,
- e. The managing director is secretary to the Board.

**(e) The Office of the Managing Director**

The bearer of the Office of the Managing Director of the Service is appointed by the Board. He/she is responsible to the Board, for the day-to-day management of the affairs of the Service and is the Secretary to the Board, and performs such other functions as the Board may direct.

**(f) Directorate of Phytosanitary and Biosecurity**

The Directorate is responsible for providing strategic leadership on plant health matters. It ensures implementation of import and export regulation, pest identification & diagnostics, pest risk analysis, pest surveillance, quarantine regulation, Plant biosecurity, standard harmonization and international trade.

**(g) Directorate of Seed Certification & Plant Variety Protection**

The Directorate is responsible for providing strategic leadership on quality inputs by ensuring that the service achieves its mandate through enforcement of plant breeders' rights and seed certification.

**(h) Directorate of Planning and Strategy**

The Directorate is responsible for providing leadership on matters regulatory research; projects development and implementation; strategic planning and implementation; performance contracting.

**(i) Directorate of Laboratory Services**

The Directorate is responsible for the effective management of the Analytical Chemistry Laboratory and Food Safety, Plant Health and Molecular Laboratories and the Seed Testing Laboratories functions of the Service.

**(j) Corporation Secretary and Legal Services Directorate**

The office is responsible for supporting the Managing Director to provide Board Secretariat and related services to the Board as required under the KEPHIS Act and Mwongozo. The Directorate is also responsible for advising the Board and Management on legal matters, overseeing legal matters as well as implementing good corporate governance to enhance organizational credibility.

**(k) Internal Audit and Risk Directorate**

The Directorate is responsible for reviewing and evaluating budgetary performance, financial management, transparency and accountability mechanisms and processes at the Corporation; providing reasonable assurance through the audit committee on the state of risk management, control and governance within the Corporation; and reviewing the effectiveness of the financial and non-financial performance management systems of the Corporation.

**(l) Directorate of Corporate Services**

The Directorate of Corporate Services is responsible for providing strategic leadership, expert advice and input to the Service to ensure optimal utilization and management of the Service's resources. It will also provide accountability in the functional areas of Finance and Accounts, Human Capital, Corporate Communications, Customer Care, ICT and Innovation, Security, and Administration Departments.

**(m) Supply Chain Management Department**

The supply chain Management is anchored in the Constitution through Article 227 and amplified by section 47 of the Public Procurement and Asset Disposal Act, 2015. The Division facilitates KEPHIS to achieve its strategic goals through efficient and effective planning and procurement/disposal of goods and services.

## **YEAR PERFORMANCE**

During the FY 2021-2022, the Corporation undertook various activities within its mandate. These planned activities were implemented as per the KEPHIS Strategic Plan and actualized by the 2021-2022 Annual Work Plan and Performance Contract.

### **1. PHYTOSANITARY SERVICES**

#### **a) Imports**

During the period, KEPHIS undertook inspection of import consignments for compliance. A total of **84,428** Plant Import Permits (PIPs) were issued to inspected and complying consignments at various KEPHIS stations from July 2021 to June 2022 compared to **57,864** PIPs issued in the previous financial year. This was due to an increase in imports of cereals from neighbouring countries.

#### **b) Exports**

KEPHIS facilitated exports during the period under review by inspecting consignments of crops, plant products and regulated articles in accordance with international standards and Phytosanitary requirements of the importing countries. During the year, a total of **417,313** Phytosanitary certificates were issued compared to **375,160** issued the year before. The increase was attributed to the effects of COVID 19 recovery period that led to an increased exports of fresh produce consignments and new markets especially for Avocado to China.

#### **c) Farm Audits**

During the period under review, a total of **1,057** inspections were conducted mainly under the routine inspections for compliance with Phytosanitary requirements of USDA and EU regulations. This was an increase compared to **881** inspections last year. This was attributable to enhanced audits for compliance with new market requirements due to the opening up of China and other export destinations.

#### **d) Pest Surveillance**

KEPHIS continued to implement the early warning and rapid alert strategy for pests by carrying out surveillance for **26** emerging pests as compared to **10** in the previous period. Enhanced surveillance was ensured to curb new pest incidences and changing market requirements in importing countries.

### **2. LABORATORY SERVICES**

#### **a) Plant Health Laboratories**

The KEPHIS Plant health laboratories conducted various tests during the period under review. These tests were either in supporting compliance to import and export requirements or as a service to the public. A total of **22,718** samples were tested in the Plant Quarantine and Biosecurity station at PQBS-Muguga, Nakuru, Mombasa and Headquarters plant health laboratories. This was significantly higher than last year where **6,120** samples were tested. This growth was mainly due to expanded accredited methods and increasing demand for plant pest diagnostic services.

**b) Analytical Chemistry Laboratory Services**

During the year under review the laboratory analysed a total number of **4,219** samples for both customers and monitoring programs. This was a **25.5%** decrease from total number of **5,670** samples in the 2020 - 2021 financial year. For both enforcement and monitoring of Maximum Residues Levels (MRL) of pesticides, the laboratory analysed **2,182** for different commodities from exit points, supermarkets, farms and local markets. The samples included beans, peas, tomatoes, passion fruits, capsicum, Kales, avocado, grapes among others. **486** samples were analysed for heavy metal contaminants and **485** for mycotoxins analysis. **1,066** samples were analysed for other samples submitted by customers for soil fertility, fertilizer quality, and water for irrigation suitability among other analytical services provided by the laboratory.

**c) Germplasm Exchange**

KEPHIS hosts tissue culture and virus cleaning laboratories to facilitate research, germ-plasm cleaning and exchange. During the year, germ-plasm for 3 crops that included cassava, Irish potato and sweet potato were cleaned and exchanged with other countries. In addition, a total of 88,328 sweet potato vines were distributed.

**3. SEED CERTIFICATION**

**a) Plant Breeders' Rights**

In the in the year 2021/2022, 73 PBR applications were received as compared to 57 in the previous year. In addition, 361 grants were renewed. A majority of applications were for Roses.

**b) National Performance Trials (NPTs)**

During the reporting period, 274 varieties were under NPT. Majority of these (90%) were KEPHIS managed while 10% were planted in trials managed by the clients. During the year, the NVRC approved for release of 67 new varieties that had undergone through both NPT and DUS. These varieties' names were published in the Kenya Gazette and the seed companies are now at liberty to commercialize and sell to farmers.

**c) Seed Inspection**

In the period under review **25,334** hectares of seed crops were inspected under rain-fed and **7,872.7** hectares inspected under irrigated systems. There was marginal growth in irrigated seed crop due to increases production by companies under this system.

**d) Seed Testing**

Seed sampled during processing were tested at Nakuru and Kitale seed testing laboratories to determine the germination and purity capacities. During the period under review, the laboratories tested **9,574** samples. The number samples tested increased from **6,051** in 2020/2021 signifying an increase of 58%. This was mainly due to stringent measures put in place for testing of MLND on all seed produced and imported into the country.

**e) Post Control Tests**

Post control tests are quality control checks designed to determine effectiveness of field inspections during critical active seed crop growth stages. In the period under view, **2,457** samples were post controlled compared to **2,207** in the previous year.

**f) Seed Post Certification Surveys and Licensing of Seed Stockists**

During the seed post certification surveys carried out this financial year, seeds were sampled from the stockists and tested. Most of the seed sampled and tested met the minimum quality standards. A few that never met the standards were issued with stop sale orders and the companies concern advised to withdraw them from the market. In the same period **5,511** seed sellers were licensed to sell certified seed in various KEPHIS regional offices. This was a comparable to **5,516** seed seller's licenses issued in the 2020 - 2021 financial year.

**g) Seed Merchant Registration**

Any person who wishes to produces, processes and or market certified seed is required by law to apply to KEPHIS for registration as a seed merchant. In the period under review, forty-eight (48) new seed merchants were registered to undertake seed business.

**4. Performance Contracting**

KEPHIS supports the Kenya government's policy on Performance Contracting and implemented the system as per the 18<sup>th</sup> cycle guidelines. In the 2021 - 2022 period the Corporation managed to implement its Performance Contract and performed exemplarily well in the set targets and achieved a composite score of **2.6006** (Very Good) as compared to **2.8** last year.

**5. Key Management**

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

1. Board of Directors
2. Managing Director
3. Directors

**(a) Fiduciary Management**

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

	<b>Designation</b>	<b>Name</b>
1.	Managing Director	Prof. Theophilus M. Mutui
2.	Ag. Corporation Secretary and Legal Services Director	Ms Ivy Rose Waithera Bosco
3.	Ag. Internal Audit and Risk Directorate	Mr. Raphael Wanjohi Nderitu
4.	Ag. Director of Corporate Services	Mr. Bartonjo Cheptarus
5.	Ag. Deputy Director Finance & Accounts	Mr. Ezekiel Mucheru
6.	Director of Phytosanitary and Biosecurity	Dr. Isaac Macharia
7.	Director of Seed Certification & Plant Variety Protection	Mr. Simeon Kibet Kogo

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	<b>Designation</b>	<b>Name</b>
8.	Deputy Director of Planning and Strategy	Mr. Nicholas Enoka Tunya
9.	Ag. Deputy Director of Analytical Laboratory Services	Mr. Peter Mwangangi Kamuti
10	Ag. Supply Chain Management Department	Ms Irene Wambui Wangithi

**(b) Fiduciary Oversight Arrangements**

The Corporation has the following fiduciary oversight structures:

- Non-executive Chairman of the Board
- Board of Directors comprising independent non-executive directors
- Technical Committee
- Finance Committee
- Human Resource and Administration Committee
- Audit, Risk & Governance Committee

**(c) KEPHIS Headquarters**

P.O. Box 49592 -00100  
Oloolua Ridge, Karen  
Nairobi, KENYA

**(d) KEPHIS Contacts**

Telephone: +254 0206618000/0709891000  
E-mail: director@kephis.org  
Website: www.kephis.org

**(e) Corporation Bankers**

1. Kenya Commercial Bank Ltd  
P.O Box 7206 00100  
NAIROBI
2. NCBA Bank  
P. O Box 30437 00100  
NAIROBI
3. National Bank Of Kenya  
P.O. Box 72866 00200  
NAIOROBI

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**(f) Independent Auditors**

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

**(g) Principal Legal Adviser**

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

## **THE BOARD OF DIRECTORS**

### **Hon. Peter Weru Kinyua - Chairperson**

Current Chairperson.



Appointed 13<sup>th</sup> July 2022

**Hon. Peter Weru Kinyua** works as a consultant for AMREF in acceleration of health laws in parliament. Previously he worked as a Member of Parliament for Mathira Constituency from 2013 to 2017 and offered great support for the community and environment. He has played key roles in several water projects in Mathira, Education sector, Youth Empowerment and Mentorship Programmes, Community Development, Environment Conservation Initiatives etc. He has also worked in the corporate world (Geosurv, Safaricom, and Vodafone among others). Hon Peter Weru holds a Bachelor Science in Surveying (1997- 2002) from

University of Nairobi and Certified Public Accountants part II. Moreover, he has attained certification in environmental impact assessment and audit from Jomo Kenyatta University of Agriculture and Technology.

### **Mr. Robin Manono Achoki - Chairman**



Term ended 14<sup>th</sup> May 2022.

Mr. Achoki has over 20 years' experience in public finance having served in the Ministry of Finance and Planning and the Ministry of Planning and National Development. In the Ministries he served as the Head of Economic Unit of Budgetary and Supply Department. He has also served as a member of the Presidential Taskforce on the Coffee Subsector Reforms; as Secretary to the Panel of Experts on the Review of Performance Contracting in the Public Sector; as Alternate Director to the Permanent Secretary/Treasury in the Board of Directors of National Council for Science and Technology and as Alternate Director to the Permanent Secretary/Treasury in the Board of Director of Kenya Marine and Fisheries Research Institute. Presently he serves as a member of the Kisii

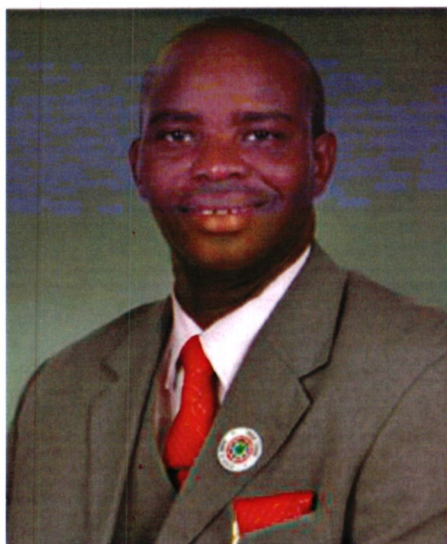
University Council. Mr. Achoki holds a post graduate diploma in integrated rural regional development planning from Development study centre, Rehovot, Israel, Bachelor of Philosophy in Economics from University of Nairobi and Bachelors of Arts, Honours in Economics from Panjab University, India. He has also undertaken courses in Planning and budgeting among them, Country focused Training in project planning and management for AICAD and JICA in Kyoto University, Hitotsubashi University and other related institutions, Public Budgeting and Fiscal

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management in Georgia State University, Andrew Young School of Policy Studies, Atlanta, USA and International Course for Budget Officer in Glasgow Caledonian University, Scotland. In addition, he attended a workshop on Budgeting and Financial Management in the Public Sector in Harvard Institute for International Development.

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



Appointed on 11<sup>th</sup> December 2020

**Prof. Theophilus M. Mutui** is the International Plant Protection Convention (IPPC) official contact point for the Republic of Kenya. He is also the Representative of Kenya to the Council of the International Union for the Protection of New Varieties of Plants (UPOV). He has over 25 years of experience, having previously worked at the National Biosafety Authority (NBA) as the Acting Director, Technical Services. He holds a Ph.D. in Horticultural Sciences from Leibniz University of Hannover, Germany. He did his post-doctorate studies at the University of Georgia, the USA, and the United States Department of Agriculture (USDA) in Maryland under a fellowship from the International Atomic Energy Agency (IAEA). At NBA, he was involved in establishing networks and partnerships

with government entities, the private sector and development partners that were favourable to the Authority.

Prof. Mutui was formerly Country Coordinator for Better Training for Safer Food (BTSF) programme for DG-SANCO for the European Union (EU) and a member of the National Food Safety Coordinating Committee. He has many years of experience in research, consultancy and teaching. He is a member in good standing of many local and International professional societies such as the International Society for Biosafety Research (ISBR), International Society of Horticultural Sciences (ISHS), Horticultural Association of Kenya (HAK) and a member of Kenya DAAD Scholars Association (KDSA). Prof. Mutui has widely published in international refereed journals and he is regularly invited as a guest speaker in international scientific conferences.

**Mr. Julius Mutua – Alternate Director, Representative to the Cabinet Secretary, National Treasury and Planning**



Mr. Mutua is the Alternate Director to Cabinet Secretary, National Treasury. He is a seasoned civil servant with over 20 years' experience in economic and financial policy formulation at the National Treasury. He has served in the National Fiscal Budget Preparation Team for many years and participated in regional integration issues including the negotiation of the East African Community Monetary Union Protocol. He is currently the Planning Secretary and Programme Co-ordinator for the Public Finance Management Reforms. He holds a Bachelor's degree in Economics from Kenyatta University and a Master's degree in Economics from the University of Dares Salaam. He also holds certificates in Fiscal Decentralization and Financial Institutions for Private Enterprise development from Duke and Harvard Universities respectively.

**Mr. Silas Killingo – Member**

Appointed 13<sup>th</sup> May, 2022



**Mr. Killingo** was appointed as a KEPHIS Non-Executive Director in May 2022 and has 36yrs experience in both public and Private sector. He holds BA (Hons) from the University of Nairobi, Majoring in Psychology and Sociology. He is currently pursuing a Master's Degree in Criminology. He works for Kenya Airforce, Technical Department, and Specializing in Engineering control and Instrumentation.

**Mr. James Wanjohi -**

**Alternate Director, Representative to the Principal  
Secretary State Department of Crops Development**

Appointed 28<sup>th</sup> January, 2022

**Mr. Wanjohi** is the Alternate Director to the Principal Secretary, State Department for Crops Development in the Ministry of Agriculture, Livestock and Fisheries.



**Dr. Stephen K. Maore, PhD., Director**

Appointed on 4<sup>th</sup> May, 2020



**Dr Maore** is an expert in Strategy, Marketing and Brand Management with over 16 years' experience in teaching, consultancy and practice in this area. Dr Maore is the Director, University Advancement and Marketing at Kenya Methodist University (KEMU). He has served as a senior lecturer and Lecturer of International Business, Marketing and Brand Management at KeMU since 2006. He is a qualified trainer approved by the International Finance Corporation as a Trainer of Trainers (2018). Dr Maore has handled various assignments in the area of strategic Planning, Marketing Planning, Branding Strategy Development, Customer care, Customer Service Charter Development, Corporate Communication and Market Research, among others. Dr Maore has been a lead assessor in the Company of the Year Awards program (COYA) since 2010, focusing on

Leadership and Management, Customer Orientation and Marketing and Corporate Citizenship and Environmental Management.

In addition to the formal employment, Dr Maore served as the Chairman, Board of Directors at Meru County Investment and Development Corporation (MCIDC) from 2015 to 2018, and is

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currently a Member, Board of Directors at Kenya Plant Health Inspectorate Services (KEPHIS) since 2020 and a member of the Technical Committee on Standards at Kenya Bureau of Standards (KEBS).

Academically, Dr Maore holds a PhD in Business Administration from the University of Nairobi, a Masters in Business Administration (MBA- Marketing) from the University of Nairobi and a Bachelor of Education in Mathematics and Business Studies from Kenyatta University. He has published a number of papers in the area of branding and marketing with various reputable refereed journals.

Finally, Dr Maore is an active member of the Marketing Society of Kenya (MSK), Kenya Institute of Management (KIM) and Certified Institute of Marketing (CIM).

**Mr. Ronald Juxton Abonyo, Director**



Appointed on 4<sup>th</sup> May, 2020.

**Mr. Abonyo** holds a Master's degree in Real Estate Valuation and Management and Bachelor of Commerce, Finance option from the UoN. He was appointed as a KEPHIS Non- Executive Director in May 2020. He comes with the experience of over 10 years as a director where he was the Chair in an investment committee of the Board at Mvelaphanda Capital (Kenya). He is also a director at Goldman Group. Director Abonyo is the current Chairman of the KEPHIS Pension scheme with the responsibility to steer the organization to create value to its members. He also Chairs the Finance committee of the main KEPHIS board.

**Ms. Marstella Bahati Kahindi, Director**



Appointed on 4<sup>th</sup> May, 2020

**Ms. Bahati** is a Masters holder in Business Administration with a specialization in Strategic Management. She also holds a Bachelors Degree in Arts second class upper Division. Both degrees from University of Nairobi.

She is a seasoned banker with over 35 years of experience having worked majorly at Kenya Commercial Bank and Absa Bank formerly Barclays Bank of Kenya. She is a certified Retail Banker one. She worked shortly at K-rep Bank now Sidian Bank and Agriculture Finance Cooperation. She prides herself in being responsible strategic, futuristic, arranger and relator, strengths built over the years.

Previously She was appointed to sit in the Board of Kenya Industrial Estates as a Non –Executive Director.

Marstella Bahati is a community leader organizing and mobilizing Coastal farmers around a cooperative to train, support and do farming right, for better yields, value add and get markets for the produce for improved lives of the farmers.

**Ms. Litole Jemtai Lucky, Director**



Re-appointed on 27<sup>th</sup> October, 2021

**Ms. Litole** is currently coordinating a woman and youth empowerment programme in West Pokot with Konrad Adenuor Foundation. She was previously with Kenya Utalii College till 2016 when she left to join the Konrad Adenuor Foundation. She is a holder of a Bachelor of Business Administration (Procurement and Supply Chain Management Option) and is currently pursuing a Master's Degree in Logistics and Procurement Management and a Certified Secretaries certificate. She also holds certificates in Food and Beverages, Business Management, and Customer Service.

**Mr. Moses Atuko, Director**



Re-appointed on 27<sup>th</sup> October, 2021

**Mr. Atuko** is currently a consultant with United Nations. Previously, he worked as County Executive for Health Services and Environment-Mining-Energy, both for Baringo County Government; Country Director for MENTOR Initiative, Kenya; Regional Manager for Kenya Red Cross, North Rift; Deputy Country Director for MENTOR Initiative, Liberia; Emergency Health Manager for Kenya Red Cross, Nairobi; Project Officer with Aga Khan Foundation, Mombasa; and has been a Public Health Consultant for over 6 years. He is a graduate of Public Health, Moi University, 2004.

**Dr. Rose Njeru, Director**



Re-appointed on 27<sup>th</sup> October, 2021

**Dr. Njeru** holds a Doctorate degree in Plant Sciences from Murdoch University, Australia and a Master's degree in Plant Pathology from The University of Nairobi. Dr. Njeru has a wide experience in the field of plant health having served as a senior lecturer at the Faculty of Agriculture, University of Nairobi for over 15 years. She has also served as a Senior Scientist with the Ministry of Agriculture in Rwanda under a World bank funded Rural Sector Support Program for a period of four years. During the subsequent four years, she was a director incharge of Capacity Building and Technology Deployment with an International Non-Governmental Organisation. Dr. Njeru has published widely in peer reviewed journals, participated in International conferences and supervised PhD Students in the field of agronomy, plant breeding, biotechnology and plant health in general.

She has international experience as an; educator, trainer, researcher, in proposal development and capacity development with a focus on plant health, biotechnology, capacity building, documentation, communication, science, technology and innovation systems. Currently, Dr. Njeru is an independent international consultant in the field of plant health with an interest in plant health systems, compliance to international treaties especially the world Trade Organisation Sanitary and Phytosanitary Agreement. She has been a consultant with several organizations including; Food

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and Agriculture Organization of the United Nations, International Fund for Agriculture Development, Technical Centre for Agricultural and Rural Cooperation, Regional Universities Forum for Capacity Building in Agriculture, a consortium of over 33 Universities in Africa, International Potato Centre and International Centre for Tropical Agriculture among others. She serves the KEPHIS Board, as a member of the Technical Committee.

## **MANAGEMENT TEAM**

### **Prof. Theophilus M. Mutui – Managing Director**

Profile on page xi above

### **Ms. Ivy Waithera Mburu - Ag. Corporation Secretary & Head Legal Affairs**



Ms. Mburu joined KEPHIS in 2018 and holds a Bachelor of Laws LL.B (Hons.) from the Catholic University of Eastern Africa and a Post Graduate Diploma in Law from the Kenya School of Law. She is also an Advocate of the High Court of Kenya, Commissioner of Oaths and a Notary Public.

Presently she is the Ag. Corporation Secretary and oversees the Legal Affairs Department which undertakes the Contracts & Legal Instruments, Litigation & Disputes, Ethics, Integrity and Anti-Corruption Issues and Legal Review of the Statutes being implemented by of the Organisation.

### **Dr. Isaac Macharia – Director of Phytosanitary and Biosecurity**



Dr. Isaac Macharia, the General Manager, Phytosanitary Services holds a PhD in Plant Virology from the University of New England in Australia and Masters of Science in Plant pathology from the University of Nairobi. He has worked with KEPHIS since 2002 where he has served in various capacities; Plant Inspector, head phytosanitary laboratories & Deputy Officer in Charge at Plant Quarantine Station and finally as the Regional Manager - KEPHIS Mombasa. He has undergone extensive phytosanitary training on Pest Risk Analysis & Diagnosis from USDA APHIS and Ohio State University in the USA. During the course of his work he has spearheaded diagnostic services, pest risk analysis, surveillance, import certification and development of phytosanitary policies. This

has led to significant growth of the institution and has enabled the industry to access and retain foreign markets.

**Mr. Simeon Kibet – Director of Seed Certification & Plant Variety Protection**



Mr. Kibet joined KEPHIS in October 2000. He has held various senior positions which include; Liaison Officer for Quality Assurance Division, Regional Manager Nakuru and Head Seed Certification & Plant Variety Protection, General Manager- Quality Assurance and served as the Ag. Managing Director until December 2020.

Mr. Kibet holds an MPhil degree in Crop production and Seed Technology from Moi University, and a BSC in Agriculture from The University of Nairobi. He has extensive experience in seed quality assurance and has been trained in Seed Technology in Japan, Netherlands and South Africa.

**Mr. Bartonjo Cheptarus- Ag. Director of Corporate Services**



As from 18<sup>th</sup> March, 2020

Mr. Bartonjo joined KEPHIS in the year 2002, and has served in the capacities of Head of Finance and Head of Audit. He holds a Bachelor's Degree in Commerce (Finance Option) from the University of Nairobi.

He is a Certified Public Accountant, and is a member of the Institute of Certified Public Accountants, Kenya (ICPAK).

## **CHAIRMAN'S STATEMENT**

I take this opportunity to present to you the Corporation's financial report for the period 2021/2022. During the period, KEPHIS implemented its mandate despite the challenges of Covid-19 pandemic. The Corporation successfully navigated through the challenges of the pandemic by implementing Government Guidelines and other strategies that have ensured satisfactory results are achieved.

KEPHIS continued to play its pivotal regulatory role in the agriculture sector and contributed to Kenya's economy, and food security. This was achieved through assurance of quality of agro-inputs and produce, plant bio-security, and facilitation of trade in plant and plant products. KEPHIS valuable services have ensured continued access of Kenya's produce to international markets and generation of valuable forex earnings for the country. KNBS Economic survey 2022 shows earnings from exports of horticulture produce increased by 5.0 per cent to KSh 157.7 billion in 2021. The volume of horticulture exports increased by 29.3 per cent to 405.5 thousand tonnes in 2021. Export earnings from cut flowers increased by 3.1 per cent to KSh 110.8 billion in 2021, which accounted for 70.3 per cent of total fresh horticulture export earnings. Further, the Corporation also played important role in accession to new market opportunities by our Kenyan agricultural produce. One notable new market is Chinese market for avocado which has shown great prospects in terms of growth in export volumes.

In terms of financial sustainability, the corporation achieved growth in internally generated revenue from KShs. 1.182 Billion in 2020/2021 to KShs. 1.1258 Billion in 2021/2022. This growth was mainly due to increased fresh produce exports to traditional and new markets. External funding from GOK and Development Partners decreased from KShs. 86.Million to KShs. 44.4 Million. This was attributed to the completion of the USAID-FOOSCAP project. During the period key development partners' support were mainly COMESA (RIIP Project) and TMEA. Generally, funding is still inadequate hence the need for sustained support from the exchequer as well as Development Partners. KEPHIS will endeavor in strengthening its internal resource mobilization strategies as well as ensuring prudent financial management of its resources.

KEPHIS plays an important role in supporting the growth of Kenya's economy envisaged in Vision 2030 and other economic blueprints. In its twenty-five years of existence, the Corporation has focused on delivering its mandate and has established robust systems and processes to strengthen its regulatory role in the agricultural sector. During the year, the Corporation initiated the process of developing its next Strategic Plan for the period 2022/2023-2026/2027. The new plan will guide the organization in its vision of **Excellence in Plant health and Quality Assurance in Agriculture** with key result areas focusing on Plant health, Seed quality, Plant variety protection, Trade facilitation and institutional capacity.

The Board of Directors is committed to the implementation and realization of the aspirations of this Strategic Plan through provision of policy support, enabling environment, and empowerment. The Corporation will continue to sustain existing linkages with all the National and County governments through relevant Government Ministries, Departments and Agencies as well as other stakeholders to ensure coherence and enhance synergies in delivery of its mandate.

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In conclusion, I wish to acknowledge and appreciate the Government, stakeholders, the Board of Directors, Management and Staff their contribution to the successes of KEPHIS during the year under review. KEPHIS looks forward to a more vibrant 2022/2023 financial year with better prospects.



**Hon. Peter Weru Kinyua  
Chairman, Board of Directors  
Kenya Plant Health Inspectorate Service**

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **Overview:**

KEPHIS operates within the confines of the KEPHIS Act 2012, the Seeds and Plant Varieties Act CAP 326 and the Plant Protection Act CAP 324. Kenya is also signatory to various international conventions, agreements, and treaties which KEPHIS implements. These include Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC), OECD Fruit and Vegetables Schemes, OECD Seed Schemes and OECD Forest Seed and Plant Scheme, the International Union for the Protection of new Varieties of Plant (UPOV), CODEX Alimentarius Commission, the World Trade Organization-Sanitary and Phytosanitary Agreement (WTO-SPS), the International Plant Protection Convention (IPPC) among others.

It is my pleasure therefore, to present to you the KEPHIS Financial statements for the period June 2021 to July 2022. This is indeed a great moment and milestone for the Corporation, which coincidentally marks twenty-five years of her existence. The period also marked the post covid-19 pandemic recovery period, and the Corporation was able to implement plans and strategies to ensure continuity and provision of regulatory service despite the attendant challenges.

During the period under review, the Corporation made notable achievements including the review of legal framework, enhanced ICT infrastructure, and expanded use of technology. The latter included integration of export and import certification systems, integration of the ECS with IPPC e-phyto hub, procurement of the of Enterprise Resource Planning (ERP) system and launch of the Seed Certification and Plant Variety System. KEPHIS also maintained and expanded scope of accreditation of laboratories, certification to Quality Management Systems (QMS), Information Security Management Systems (ISMS). In addition, KEPHIS successfully reviewed and implemented its Human resource instruments and internal policies to comply with relevant legislation and best practices.

Most importantly, the Corporation ensured compliance with market requirements enabling the country to maintain and open new markets. In addition, service delivery was expanded by opening new offices i.e., Lamu port and Shimoni. In support of ease of doing business policy the Corporation operated 24-hour system in select border points, integrated to the Kentrade KNSW trade facilitation system, operationalized the One Stop Border Post, and build capacity of staff and clients. The Corporation participated in standard setting and harmonization activities to support market access and represent the interests of Kenya in regional and international forums.

### **Stakeholder Engagement**

KEPHIS continued to enhance its stakeholder alliances and partnerships through collaboration and cooperation with partners. During the year, the Corporation hosted the Phytosanitary Conference, Published the African Phytosanitary journal and undertook training of 509 Phytosanitary practitioners from the country, the region, and the world through the Centre of Phytosanitary

Excellence (COPE). The Corporation collaborated with other Ministries, Departments and Agencies in various aspects within its mandate. KEPHIS also undertook sustainability programs targeting women, youth, and persons with disabilities.

### **Phytosanitary Services**

Plant health is a core mandate area for KEPHIS and in retrospect, the country has gone through numerous challenges in terms of crop pest and disease emergence that included Maize Lethal Necrosis Disease (MLND), Potato Cyst Nematode (PCN), Fall Armyworm (FAW) and False Codling Moth (FCM) in roses. KEPHIS responded to these challenges by working in collaboration with other agencies on the managing of these pests and diseases. The Corporation also undertook pest surveillance and monitoring to determine the spread and impact of the pests. In terms of strengthening regulation in Plant Health, during the period, KEPHIS completed the review of the Plant Protection Act CAP 324, and development of the National Phytosanitary policy. The two instruments are at an advanced stage of development and will be launched in the next planning period. Implementation of the Act, regulations and the policy are intended to further strengthen regulatory work in the agricultural sector and more importantly enhance productivity in the horticultural sector which is a major contributor to Kenya's economy.

KEPHIS intends to continue working with partners and other agencies in developing robust Early Warning and Emergency Response Systems for plant pests to enhance early detection and management. The Corporation shall also strengthen its research unit for regulatory decision making, enhance border control and surveillance in order to protect Kenya's agriculture.

### **Seed Certification and Plant Variety Protection**

KEPHIS undertook regulatory work in the seed sector including testing, release for commercialization of new varieties of plants and enhanced capacity for variety testing. During the period, 67 varieties were recommended for release and approved by the National Performance Trials Committee (NPTC) and the National Variety Release Committee (NVRC) respectively. Varieties released in the year included Rangeland and pasture forage crops such as Rhodes grass, Industrial crops that included Sunflower, Canola and Sorghum and other food crops that included Maize, Potato. Rice and pulses.

KEPHIS also facilitated activities to increase farmer awareness on identification and benefits of using certified seed of superior varieties, authorized private persons to undertake specified seed certification services as determined by KEPHIS and maintained membership and participation in regional and international organizations. The corporation also facilitated availability of clean vegetative planting material to farmers through the distribution of over 66,387 Orange fleshed sweet potato vines. This was made possible at the Plant Quarantine and Biosafety station in Muguga.

### **Trade Facilitation**

Trade facilitation remained a key deliverable for KEPHIS. During the year, the Corporation participated in regional and international standard setting, and harmonization activities to facilitate

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compliance to set standards for trade. Trade negotiation activities included bi-lateral multi-lateral arrangements with our trading partners. To facilitate trade, the corporation undertook inspection of plant material for export and import consignments at all official entry and exit points. KEPHIS issued a total of 417,313 Phytosanitary certificates and 84,428 Plant Import Permits (PIPs) for complying consignments.

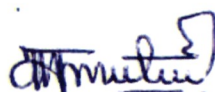
**Agricultural inputs and produce testing laboratories:**

KEPHIS assured the quality of various agro-inputs such as seed, fertilizers, water for irrigation, soil and pesticide formulations. This was made possible through established KEPHIS accredited service laboratories at Karen (Headquarters), Muguga, Nakuru and Kitale. Maintenance of accreditation of the laboratories to ISO 17025 was achieved during the period for the Analytical Chemistry Laboratory at Headquarters, Plant Health Laboratory at KEPHIS Muguga and the Seed testing laboratory in Nakuru. Going forward, KEPHIS intends to enhance laboratory services through expansion of testing scopes, accreditation of new methods and acquiring of modern analytical and diagnostic laboratory equipment.

**Institutional capacity:**

During the period, the Corporation enhanced the capacity of its staff and clients for improved service delivery and compliance to regulatory requirements. KEPHIS focused on building capacity for farmers, SMEs and players in the national and County governments as a way of ensuring compliance to set standards for market access and enhance productivity. A total of 1,481 targeted stakeholders were trained during the period. These included The Corporation also invested on staff skill development to meet the necessary competencies required for the sector. All staff were taken through various training and skill development programs to enhance their capabilities. KEPHIS also upgraded its ICT systems through acquiring ICT infrastructure and automation of key operational processes. In order to enhance ease of doing business, the Corporation integrated its ECS/ICS system to the KENTRADE KNSWS. This is expected to reduce lag in the export and import documentation process. KEPHIS will continue to invest further in its staff as well as infrastructural facilities to ensure achievement of its mandate.

In conclusion, KEPHIS is confident that with the support of all stakeholders and partners, we shall attain our new vision of “Excellence in Plant health and quality assurance in agriculture” I take this opportunity to sincerely thank the KEPHIS Board, management, staff and stakeholders for the achievement of set milestones during the period under review.



**Prof. Theophilus M. Mutui, PHD  
Managing Director**

**PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY2021/22**

Kenya Plant Health Inspectorate Service (KEPHIS) has eight (8) strategic themes and objectives within the current Strategic Plan for the FY 2017/18- 2021/22. These strategic themes are as follows:

- Theme 1: **Protection of Plant Resources**
- Theme 2: **Legal and Regulatory Framework**
- Theme 3: **Agricultural productivity**
- Theme 4: **Trade facilitation**
- Theme 5: **Capacity building**
- Theme 6: **Resource mobilization and management**
- Theme 7: **Stakeholder alliances and partnerships**
- Theme 8: **Corporate brand image**

KEPHIS develops its annual work plans based on the above 8 Themes. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The corporation also developed its 2021/2022 Performance Contract from its Annual Work plan and implemented it as per the 18<sup>th</sup> Cycle Performance Contract guidelines. KEPHIS achieved its all its performance targets set for the FY 2021-2022 period for its 8 strategic themes, as indicated by some key indicators in the table below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
<b>1. Protection of Plant Resources</b>	To protect plants from pests, weeds and invasive species	Number of samples analyzed	Undertake analysis at the plant health laboratories	22,718 samples
		Number of consignments and Plant Import Permits	Inspection of import consignments at ports of entry	84,428 Plant Import Permits (PIPs)

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		Number of pest surveillances	Pest surveillances conducted using surveillance technologies and tools	26 surveillances
<b>2. Legal and Regulatory Framework</b>	To establish a robust, facilitative policy, legal and regulatory framework for KEPHIS	Phytosanitary Draft policy	Development of the National Phytosanitary policy	Phytosanitary draft completed
		Plant Protection draft regulations	Development of plant protection regulations	Draft Regulations completed
<b>3. Agricultural productivity</b>	To contribute towards improved levels of agricultural productivity while responding to climate change	Number of Title grants	Administer Plant Breeders Rights	73 Grants
		Number of candidates tested	Conduct national performance trials	274
		Number of varieties gazetted	Facilitate release of new varieties including gazettement	53
		Hectares inspected	Undertake seed field inspections	25333.97 – Rain-fed 7872.72 – Irrigated
		Number of seed samples taken and tested	Undertake seed sampling, testing	9,574 samples
		Number of post control samples	Undertake pre and post control testing	2,457 samples
		Number of seed sellers licensed, SMEs	License seed sellers, SMEs	5,511 seed sellers

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<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
		Number of new seed merchant, SMEs	Register seed merchants, SMEs	48 Seed Merchants
<b>4. Trade facilitation</b>	To Support Food safety, Market Access and Compliance	Number of Phytosanitary certificates issued	Undertake grading and inspection of export produce	417,313 Phytosanitary Certificates
		Number of audits/inspections	Undertake farm audits/inspections for compliance to SPS and market requirements (USDA, EU, Israel interception/rejection follow-ups, new client farm audits and food safety audits)	1,057 audits
		Number of samples analysed	Undertake analysis of agricultural produce for contaminants	3,321 samples
<b>5. Capacity building</b>	To build staff, stakeholders and infrastructural capacity to facilitate efficient and	Number of staff trained	Undertake training and development staff	512
		Number of interns/students	Undertake Youth Internships/Industrial attachments/Apprenticeships	299

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
	effective delivery of the KEPHIS mandate.	ERP system in place	Implement an integrated back office (Finance, HR, Audit, planning) ERP system for effective administration support for the organization	System in place
		Integrated ECS/ICS system	Implement an Integrated Import/Export Certification System	System in place
		Implementation of Seed Certification & Plant Variety system	Roll-out the Plant variety protection and seed certification system	System in place
		Number of new offices opened and operationalised	Operationalization of Lamu and Shimoni Port Offices	2 offices
		Number of practitioners trained	Enhance stakeholder capacity through COPE training	509 practitioners
<b>6. Resource mobilization and management</b>	To mobilize adequate financial resources and ensure optimal allocation and utilization for full	Percentage of utilisation of funds	Absorption of Allocated Funds(GoK)	100%
		Revenue collected	A-in-A	1.2Bn
		Percentage utilisation of externally mobilized funds	Absorption of Externally Mobilized Funds	100%

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Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
	implementation of programmes and activities	Ratio of Pending Bills to total budget	Management of pending Bills	<1%
<b>7. Stakeholder alliances and partnerships</b>	To enhance synergies through collaboration and linkages with stakeholders and partners	Customer satisfaction index	Conduct customer satisfaction surveys to gauge customer service levels for the Corporation	76 CSI
		CAJ Score	Undertake resolution of customer complaints	96%
<b>8. Corporate brand image</b>	To enhance the visibility and corporate image of KEPHIS.	Number of Corporate Social Sustainability activities	Undertake corporate social sustainability activities	4
		Number of field days, shows, media interactions and farmer forums	Participate in field days, shows, trade fairs, media interactions, farmers forums	68

## **CORPORATE GOVERNANCE STATEMENT**

The KEPHIS Act, No. 54 of 2012 Laws of Kenya, in Section 8 provides that the Board shall comprise of; a Chairman, seven (7) independent, non-executive members, appointed from among persons experienced in agriculture, horticulture, seed and administration; the following statutory members; the Principal Secretaries to the National Treasury and Planning; the Ministry of Agriculture, Livestock, Fisheries and Co-operatives; and the Managing Director who is the Secretary to the Board. The Board brings together Members from different professional backgrounds with diverse skills, competencies and strives to comply with the constitutional gender balance requirements.

During the 2021/2022 financial year, composition of the Board was as follows:

<b>Name</b>	<b>Position</b>
Mr. Robin Achoki	Chairman (1 <sup>st</sup> Term expired effective on 14 <sup>th</sup> May, 2022)
Prof. Theophilus M. Mutui	Managing Director (Effective 11 <sup>th</sup> December, 2020)
Mr. Julius Mutua	Alternate Director to the Cabinet Secretary, National Treasury and Planning
Mr. David Mwangi	Alternate Director to the Principal Secretary, State Department for Crop Development and Agricultural Research (up to 30 <sup>th</sup> December, 2021)
Mr. James Wanjohi	Alternate Director to the Principal Secretary, State Department for Crop Development and Agricultural Research (Effective 10 <sup>th</sup> January, 2022)
Mr. George Ombua	Alternate to the Inspector General, Inspectorate of State Corporations (up to 8 <sup>th</sup> June, 2022)
Mr. Chrisologus Makokha	Alternate to the Inspector General, Inspectorate of State Corporations (Effective 9 <sup>th</sup> June, 2022)
Ms. Lucky Litole	Independent Board Member
Mr. Moses Atuko	Independent Board Member
Dr. Rose Njeru	Independent Board Member
Mr. John Angaine	Independent Board Member (up to 2 <sup>nd</sup> May, 2022)

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Ms. Marstella Bahati Kahindi	Independent Board Member
Dr. Stephen Kirimi Maore	Independent Board Member
Mr. Ronald Juxton Abonyo	Independent Board Member
Mr. Silas Killingo	Independent Board Member (Effective 13 <sup>th</sup> May, 2022)

**Board Meetings**

The Board meets on a quarterly basis to review management performance, operational issues and future planning. The Directors are given appropriate and timely information to enable them maintain full and effective control over strategic, financial, operational and compliance issues. All the Directors are independent of Management and free from any business relationship that could materially interfere with the exercise of the independent judgement. The Board held eight (8) meetings during the period under review.

**Board Committees**

Pursuant to section 11 (2) of the Act, the following Committees were in place during the financial year:

1. Technical Committee
2. Finance Committee
3. Human Resource and Administration Committee
4. Audit, Risk and Governance Committee

The Committees were formed so as to assist the Board to effectively and efficiently carry out its functions under well-defined terms of reference set by the Board.

During the 2021/2022 financial year, Committee meetings held Twenty (20) meetings as follows:

5. Technical Committee – Four (4) No.
6. Finance Committee – Six (6) No.
7. Human Resource and Administration Committee – Four (4) No.
8. Audit, Risk & Governance Committee - Six (6) No.

Attendance to those Board and Committee meetings by members was as follows:

Board Member	Technical Committee Meetings- 4 (4 scheduled)	Finance Committee Meetings – 4 (4 scheduled and 2 special)	Human Resource & Administration Committee Meetings - 4 (4 scheduled)	Audit Committee Meetings - 4 (4 scheduled, 2 special)	Board Meeting-8 (4 scheduled and 4 special)	Ad-hoc Meetings (0 No.)	Total No. of Meetings Attended	Other Board Engagement Meetings - 5
Mr. Robin Achoki	0	0	0	0	8	0	8	4
Prof. Theophilus M. Mutui	4	6	4	0	8	0	22	5
Mr. Julius Mutua	0	6	0	6	8	0	20	5
Mr. David Mwangi	2	0	1	0	4	0	7	3
Mr. James Wanjohi	1	0	2	0		0		2
Mr. George Ombua	2	1	1	4	4	0	12	1
Mr. Chrisologus Makokha	0	0	0	0	0	0	0	1
Ms. Lucky Litole	2	2	0	0	3	0	7	2
Mr. Moses Atuko	2	0	0	1	3	0	6	2
Dr. Rose Njeru	2	0	2	0	3	0	7	2
Mr. John Angaine	0	0	3	5	6	0	14	3
Mrs. Marstella Bahati Kahindi	0	1	4	5	8	0	18	5
Dr. Stephen Kirimi Maore	4	4	0	0	8	0	16	5
Mr. Ronald Juxton Abonyo	2	6	2	0	8	0	18	5
Mr. Silas Killingo	0	0	0	0	0	0	0	1

## **Notes**

- Mr. Robin Achoki - Term as Chairman expired effective on 14<sup>th</sup> May, 2022.
- Mr. John Angaine - Term expired effective on 14<sup>th</sup> May, 2022.
- Mr. James Wanjohi - Appointed as the Alternate Director to the Principal Secretary, State Department for Crop Development and Agricultural Research effective 10<sup>th</sup> January, 2022. He was appointed to replaced Mr. David Mwangi.
- Mr. Moses Atuko, Ms. Lucky Litole and Dr. Rose Njeru were re-appointed to the Board in October, 2021.
- Mr. Chrisologus Makokha - Appointed as the Alternate to the Inspector General, Inspectorate of State Corporations effective 9<sup>th</sup> June, 2022. He was appointed to replaced Mr. George Ombua.
- Ms. Cecelia Mbothu and Mr. Simon Indimuli are State Corporations Advisory Committee officials who attended the Board self-evaluation within the year.
- Other Engagements Meetings include trainings, tours and retreats.

## **Succession Planning**

Appointment of Board members as provided for under the Act has been staggered in such a way that there is retention, continuity and transfer of institutional memory.

## **Existence of a Board Charter**

There exists a Board Charter that sets out the mandate of the Board and the respective roles of the Chairperson and members as well as provisions on orientation, training, and board evaluation.

## **Induction and training**

Board members undergo regular training and education to enable them fulfil their responsibilities. All board members receive an induction upon joining. This provides an overview of the organization, new developments in the environment in which the organization operates, accounting and financial reporting developments and policies, as well as any regulatory and compliance changes.

## **Declaration of Interest**

Conflict of Interest is a standing agenda item in all Board and Committee Meetings. A register is also maintained and duly filled during all the Board and Committee meetings.

## **Board Remuneration**

Currently governed under the 2004 Guidelines on Terms and Conditions of Service for State Corporations' Chief Executive Officer, Chairmen and Board Members, Management and Unionisable Staff.

## **Governance Audit**

The Board has embarked on building in-house capacity in readiness for the 1<sup>st</sup> Governance Audits during the 2022/2023 financial year upon accreditation of Governance Auditors by the State Corporations Advisory Committee.

## **Board Evaluation Results for FY2021/2022 conducted by State Corporations Advisory Committee (SCAC)**

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The Code of Governance for State Corporations (Mwongozo) requires boards of state corporations to undertake an annual evaluation of its performance. The table below shows the results of the board evaluation as conducted by the State Corporations Advisory Committee (SCAC).

	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
	<b>Mandate</b>		
1	The Board interpreted the mandate of the Corporation appropriately.	4.8571	97.14
2	The mandate of the Corporation is relevant to the national socio-economic development.	5.0000	100
3	The Board has articulated or reviewed the desired future state (vision) of the corporation.	4.8571	97.14
4	The Board has reviewed the mandate of the Corporation to match changes in the environment.	4.7143	94.29
	<b>Range Mean Score</b>	<b>4.8571</b>	<b>97.14</b>
	<b>Strategy</b>		
1	The Board has articulated the strategic use of financial resources to obtain maximum value.	5.0000	100
2	The strategic plan is integrated with the Kenya Vision 2030.	5.0000	100
3	The Board has identified the Corporation's Key Performance Indicators for the plan period.	5.0000	100
4	Board has a mechanism for monitoring and evaluating performance against the Key Performance Indicators.	5.0000	100
5	The level of strategic planning is of sufficient quality and content.	4.5714	91.43
6	The strategic plan is reflected at an operational level in the business plan.	4.8571	97.14
7	The Board has developed a strategy for providing resources required for implementation of the strategy.	4.7143	94.29
	<b>Range Mean Score</b>	<b>4.8776</b>	<b>97.55</b>

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	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
	<b>Performance contract</b>		
1	The Board participated in identification and articulation of performance targets for the Corporation's performance contract for the period.	4.7143	94.29
2	The performance contract aided implementation of the strategic plan.	4.8571	97.14
	<b>Range Mean Score</b>	<b>4.7857</b>	<b>95.71</b>
	<b>Part Two: Functions of the Board</b>		
1	The Board understands, agrees, defines and disseminates its functions on an annual basis.	4.8571	97.14
2	The Board knows and understands the Corporation's beliefs, values, philosophy, mission and vision and reflects this understanding on key issues throughout the year.	5.0000	100
3	Such beliefs, values, philosophy, mission and vision are set and are consistent with Corporation's status	4.8571	97.14
4	The Board devotes significant time and serious thought to the Corporation's long-term objectives and to the strategic options available to achieve them.	4.8571	97.14
5	The Board has defined and communicated to management the scope and powers, roles and responsibilities to be adhered to by management to meet routine and exceptional circumstances.	4.8571	97.14
6	The majority of the Board's time is not spent on issues of day-to-day management.	4.5714	91.43
7	The Board is involved in formulating long-range strategy from the beginning of the planning cycle.	4.8571	97.14
8	The Board ensures that the organization has sufficient and appropriate resources to achieve its strategic goals	4.7143	94.29
9	Proposals from management are analyzed and debated vigorously before being approved by the Board. A proposal that is considered inappropriate is declined.	4.8571	97.14
10	The Board has an operating plan that specifies its functions, activities and objectives.	5.0000	100

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	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
11	The Board has reviewed its needs in terms of skills and has these skills.	4.1429	82.86
12	When appropriate the Board seeks counsel from professionals advisors	4.7143	94.29
13	The Chief Executive Officer's remuneration and performance is Reviewed and determined by the Board based on performance evaluation.	5.0000	100
14	The Board determines, annually, the objectives and measurement criteria for the Chief Executive Officer.	4.8571	97.14
15	A broad range of appropriate performance indicators are used to monitor the performance of management. Reliability is not placed solely on the financial statements provided by management.	4.8571	97.14
16	The performance of the Chief Executive Officer is reviewed formally on an annual basis.	4.8571	97.14
17	The Board has identified the groups to which it is: (a) Accountable; (b) Responsible	5.0000	100
18	The Board understands and agrees that its first duty is to the Corporation	4.8571	97.14
19	Board activities are conducted in an atmosphere of creative tension.	4.8571	97.14
20	The Board allows diversity of opinion in its meetings.	4.8571	97.14
21	The Board has procedures in place to ensure that the organization is meeting its legal responsibilities.	4.8571	97.14
22	Formal review of the Board's performance has become an integral part of the culture of the Board.	4.8571	97.14
23	The Board ensures that key members of management are brought into the Board meetings so that they can participate and add value to their deliberations and work on behalf of the Board.	5.0000	100
24	Board members evaluate their individual and overall Board performance formally on an annual basis	5.0000	100
25	The Board ensures all conflicts of interest are: (a) Declared; (b) Resolved	5.0000	100
26	Every Board member has been supplied with a letter of appointment.	5.0000	100
27	The letter of appointment defines the roles and functions of the Board and the specific role of each director.	5.0000	100

**Kenya Plant Health Inspectorate Service,  
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For the year ended June 30, 2022**

	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
	<b>Range Mean Score</b>	<b>4.8571</b>	<b>97.14</b>
	<b>Part Three: Board Meeting Management and Procedures</b>		
1	Every Board member has been supplied with a Board manual and a copy of standing orders and regulations governing conduct of Board meetings.	4.7143	94.29
2	Every Board member was supplied with a calendar of meetings showing dates of Board meetings, committee meetings and key or critical events of the Corporation.	5.0000	100
3	Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.	4.8571	97.14
4	Sufficient time is provided during Board meetings for thoughtful discussion in addition to management dialogue.	4.8571	97.14
5	Board time is used effectively so that the Board adds value to management.	4.8571	97.14
6	Formal meeting and reporting procedures have been adopted by the Board.	5.0000	100
7	Board members receive timely and accurate minutes; advance written agendas and meeting notices; and clear and concise background material to prepare in advance of meetings.	4.7143	94.29
8	All Board members are fully informed of relevant matters and there are never any surprises.	5.0000	100
9	Absenteeism from Board meetings is the exception rather than the rule.	5.0000	100
10	Board meetings are facilitated, but not overtly influenced by the Chairperson.	4.8571	97.14
11	All Board members are permitted to add items to the meeting agenda.	5.0000	100
12	All proceedings and Resolutions of the Board are recorded accurately, adequately and on a timely basis.	4.8571	97.14
	<b>Range Mean Score</b>	<b>4.8929</b>	<b>97.86</b>
	<b>Part Four: Board's Composition, Induction, Training, Development, and Succession</b>		

**Kenya Plant Health Inspectorate Service,  
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For the year ended June 30, 2022**

	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
1	The selection process considers any deficiencies in the skills of current Board members	4.5000	90.00
2	The composition of the Board fairly represents the diversity of stakeholders.	4.4286	88.57
3	New Board members are introduced to their duties with an appropriate induction process.	5.0000	100
4	Board members understand the extent of their relationship with management and the separation of stewardship and management.	4.8571	97.14
5	Encouragement is given for Board members to continue their study of corporate governance and improve the skills they need.	4.7143	94.29
6	Directors understand the extent of their personal liability for the affairs of the Corporation.	4.8571	97.14
7	A succession plan is in place for the Chief Executive Officer, Board members and senior management and is reviewed regularly.	4.4286	88.57
8	Directors who have not been contributing to the governance of the organization, and are uninterested in improving their performance are asked to resign.	4.6000	92.00
9	Where the ethical or professional conduct of any director is called into question such director is asked to resign pending investigations.	4.4000	88.00
10	Board members bind themselves to uphold honour and respect to the code of Ethics of the Corporation on first appointment and to resign where their actions are called into question.	4.8571	97.14
	<b>Range Mean Score</b>	<b>4.6643</b>	<b>93.29</b>
	<b>Part Five: Board Structure</b>		
1	The Board has a balanced mix of Independent Non-Executive Directors.	4.8333	96.67
2	The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons.	4.8571	97.14

**Kenya Plant Health Inspectorate Service,  
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	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
3	The Board has established and appointed committees with defined terms of reference, composition and reporting requirements. These aspects are formally recorded.	5.0000	100
4	The committees have been established and appointed in light of: a) The need to increase the effectiveness of the Board by utilizing the specialized skills of Board members; b) Need to provide support and guidance to management c) Need to ensure effective and independent professional consideration of issues such as audit reports, finance issues among others	5.0000	100
	<b>Range Mean Score</b>	<b>4.9226</b>	<b>98.45</b>
	<b>Part Six: Information and Communication</b>		
1	Every Board member was supplied with all establishment instrument, all legal documents, mission statement, vision and strategy documents of the organization on first appointment.	4.7143	94.29
2	Every Board member receives a copy of the Board manual together with a letter of appointment on first appointment.	4.7143	94.29
3	Every Board member received copies of all policy documents including organization policy documents, personnel and financial manuals on first appointment and every time these are reviewed.	4.5714	91.43
4	Board members are encouraged to discuss matters with members of management after gaining the approval of the Chairperson or the Chief Executive Officer.	4.5714	91.43
5	The Board receives sufficient information from management in an appropriate format as determined by the Board.	4.8571	97.14
6	The Board's information requirements are communicated to management on a regular basis.	5.0000	100
7	Requested information is received in a timely fashion.	4.7143	94.29
8	The Board is proactive in developing an effective communication strategy for the Corporation.	4.8571	97.14
9	The Company/Corporation Secretary advises Board members regularly on matters of governance and the applicable law.	4.5714	91.43
	<b>Range Mean Score</b>	<b>4.7302</b>	<b>94.60</b>

**Kenya Plant Health Inspectorate Service,  
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For the year ended June 30, 2022**

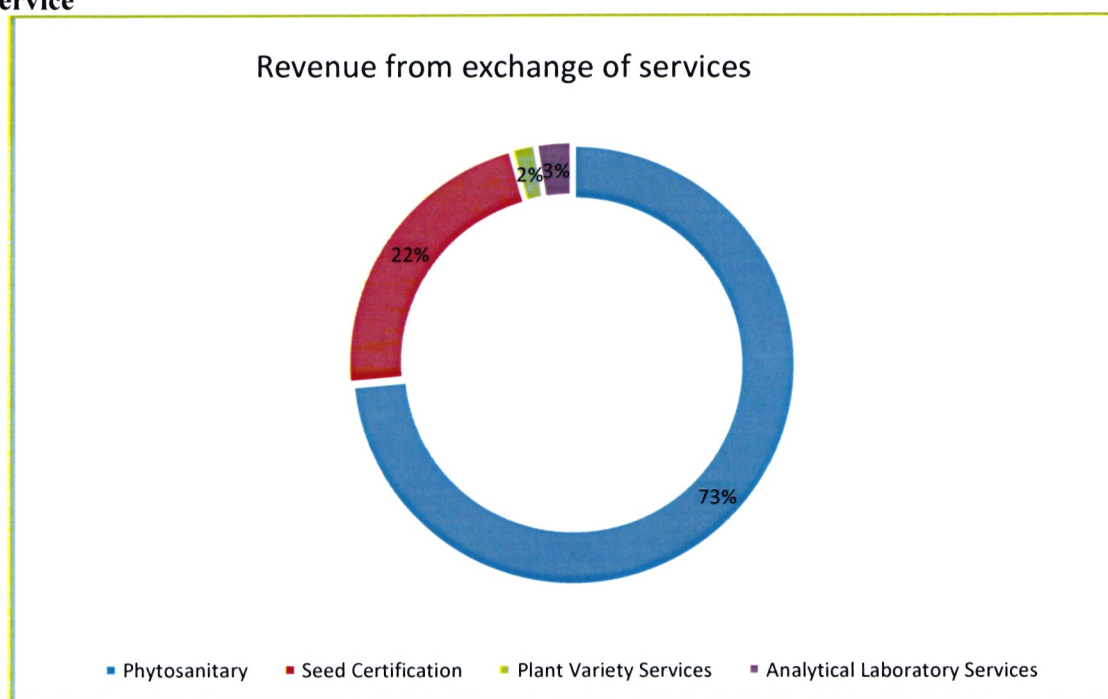
	<b>Part 1: Mandate, Strategy and Performance Contract</b>	<b>MEAN SCORE</b>	<b>% SCORE</b>
	TOTAL SCORE	38.5875	
	<b>Overall rating (Total Score ÷ Number of Range items (8))</b>	<b>4.8234</b>	

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Revenue generation**

Revenue from service rendering grew in the year by 6.1% from KES 1.18B recorded in financial year 2020/21 to KES 1.25B in the financial year 2021/22. Phytosanitary services continue to be the leading revenue earner at 72% followed by seed certification services as shown in figure 1. Improved revenue from phytosanitary services was attributed to services rendered at the border points and JKIA.

**Figure 1. Graphical representation of proportionate Revenue generation from rendering service**



Mombasa Office registered a decline in revenue due to waived charges on tea coffee and herbs. Revenue dipped from KES 222M in financial year 2020/21 to 155M in financial year 2021/22 a decline of 30%. Figure 2 shows an illustration of the dip.

Revenue generated from seed certification services was fairly constant at 277 million.

### **Expenditure**

Employee emoluments increased by 1.9% due to casual employment. Board expenditure reduced by 19.8% due to some board meetings being held virtually. Expenditure on donor funded projects declined by 63.4% due to reduced funding as many countries suspended funding programs. In total expenditure increased by 32.7% from KES 1.39B to KES 1.53B mainly due to increased activities after the COVID pandemic.

### **ENVIROMENTAL AND SUSTAINABILITY REPORTING**

In the 2021-2022 financial year, several Corporate Social Sustainability (CSS) activities were carried out. The corporate work plan had a target of five (5) activities and this target was met through the various engagements that were carried out. The activities were carried out in Nakuru, Kitale, Nairobi, Embu and Kitale. The activities involved renovations of buildings, training the youth as well as conservation of the environment.

The activities also targeted the youth, children and environmental conservation as tabulated below:

<b>No.</b>	<b>Regional Office</b>	<b>Targeted stakeholder/public</b>	<b>Specific activity</b>
1.	Kitale Regional Office	Pupils	Renovation of Classrooms
2.	Nakuru Regional Office	Children	Donation of food items
3.	Nairobi, Headquarters	Youth in the Slums	Capacity Building
4.	Training Youth on Phytosanitary Matters in Effective Trade in Kenya During the 3 <sup>rd</sup> Phytosanitary Conference (virtual Edition) on 14 <sup>th</sup> September 2021	Youth in Agribusiness	Capacity Building
5.	Kitale Regional Office	Environmental conservation	Tree planting

#### **1. Renovation of Classrooms at Top Station Primary School, Kitale, Trans Nzoia County**

Top Station Primary School is a public school neighbouring KEPHIS Kitale office, about two kilometres from the main gate. It has a population of 750 learners from grade one to class eight, with others in pre-primary level. The school management approached KEPHIS requesting support for renovations of four classrooms at a cost of KES. 251,315; the request was approved by the Managing Director. The renovation works were carried out by a contracted service provider to successful completion by the end of August 2021. The classrooms were officially commissioned in the financial year.



**Classroom Before**



**Class Room After**

## **2. Food Donations to Bethesda Children's Home, Nyandarua County**

KEPHIS received a request to assist children at Bethesda Children's Home in Nyandarua County. An approval of KES 30,000 to purchase beans, rice and green grams was approved. In addition, ten bags of maize were donated by the Kitale and Nakuru Regional offices, thus KEPHIS absorbed this cost.

KEPHIS Nakuru office, where the home falls under, donated the items at a ceremony that was graced by the Regional Manager, Mr. Geoffrey Malemba.



**KEPHIS staff donating food items to Bethesda Children's Home in Nyandarua County**

## **4. Civic Awareness of the Youth through the Voice of Sports Event**

**Kenya Plant Health Inspectorate Service,  
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For the year ended June 30, 2022**

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KEPHIS was invited to build capacity to youth in the densely populated Mathare slums in Nairobi. The event aimed to inculcate good behaviour among youth through sporting activities. Organizers allowed KEPHIS to elucidate her mandate particularly on the opportunities available for export, nursery certification. KEPHIS donated 30 avocado seedlings. Approximately 100 youth were sensitized on the opportunities available in self-employment through the plant trade.

**5. Training Youth on Phytosanitary Matters in Effective Trade in Kenya during the 3<sup>rd</sup> Phytosanitary Conference (virtual Edition) on 14<sup>th</sup> September 2021**

KEPHIS held the 3<sup>rd</sup> Phytosanitary virtual Conference from 13<sup>th</sup> - 16<sup>th</sup> September 2021. The theme of the conference was to “Enhancing Phytosanitary Systems for Healthy Plants, Safe & Sustainable Trade” During the conference, a few side events were conducted, one among them being a virtual training for the youth. Twenty five (25) youths had registered for the training and nine (9) among them participated in the youth training virtually. The training was to create awareness on the importance of plant health (food) both for human consumption and for business. Everyone consumes food and therefore the need to make the country a food secure entity.



KEPHIS training youth on the audit for perishable products process which is done to complete registration of exporting company by KEPHIS.

**5. Environmental Conservation by Planting Trees on the International Day of Plant Health**

The Kitale Regional office planted fruit trees during the International Day of Plant Health. Fifty indigenous trees were also planted at the Eldoret Office to mark the day.



### **Conclusion**

The Corporation's CSS activities mainly focused on capacity building in agriculture and infrastructural support. We are moving away from donations to sustainable activities that are impacting targeted stakeholders. Going forward, Environmental, Social and Governance targeted activities should start being entrenched as the sustainability activities of the Corporation.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the corporation's affairs.

### **Principal activities**

The principal activities of the Corporation are as expounded in the KEPHIS legal framework i.e. Plant Variety Protection, Seed Certification, Analytical Chemistry Laboratory Services and Phytosanitary Services; others include Corporate Nature Activities, Project implementation and Support services.

### **Results**

The results of the entity for the year ended June 30, 2021 are set out on pages 1 to 5.

### **Directors**

The members of the board of directors who served during the year are shown on page vi. During the year, 2 directors retired and two were appointed.

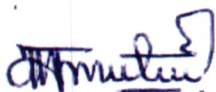
### **Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In financial year 2021/22 KEPHIS had no surplus hence zero remission.

### **Auditors**

The Auditor General is responsible for the statutory audit of the corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Secretary to the Board of Directors, KEPHIS**

**Date: 30<sup>th</sup> March 2023**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 16 of the KEPHIS Act No.54 of 2012, require the Directors to prepare financial statements in respect of KEPHIS, which give a true and fair view of the state of affairs of the corporation at the end of the financial year and the operating results of the corporation for the period. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the corporation.

The Directors are responsible for the preparation and presentation of the corporation's financial statements, which give a true and fair view of the state of affairs of the corporation for and as at the end of the financial year ended on June 30, 2022. 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 corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the corporation'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 KEPHIS Act. The Directors are of the opinion that the corporation's financial statements give a true and fair view of the state of corporation's transactions during the financial year ended June 30, 2022, and of the corporation's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the corporation, which have been relied upon in the preparation of the corporation'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 corporation 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 entity's financial statements were approved by the Board on 22<sup>nd</sup> September 2022 and signed on its behalf by:



Mr. Peter Weru Kinyua  
**CHAIRMAN BOARD OF DIRECTORS**



Prof. Theophilus M. Mutui  
**MANAGING DIRECTOR**

# REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICES FOR THE YEAR ENDED 30 JUNE, 2022**

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Kenya Plant Health Inspectorate Service (KEPHIS) set out on pages 1 to 41, 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 Kenya Plant Health Inspectorate Service 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 Kenya Plant Health Inspectorate Service Act, 2012 and Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

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

The statement of financial position reflects property, plant and equipment balance of Kshs.1,072, 583,000 and as disclosed in Note 26 to the financial statements. However, the land, buildings and other assets of the Inspectorate Service were last revalued in November, 2009. Therefore, the carrying value of assets presented in the financial statements may differ materially from their fair values.

In addition, and as previously reported, included in the aggregate fixed assets balance is Kshs.264,666,000 being the total value of eleven parcels of land situated in Nakuru, Kiambu, Trans Nzoia, Embu, Nairobi and Kisumu Counties. However, the Inspectorate Service did not possess ownership documents for the land in Nakuru, Kiambu (Muguga) and Kitale. Although records provided for audit indicated Management had made efforts to have ownership of the Nakuru and Kiambu (Muguga) lands transferred from the Kenya Agricultural and Livestock Research Organization (KARLO) to KEPHIS, it was not certain when the title documents would be obtained.

Further, as similarly reported in the previous year, out of the 125.3 hectares of land in Trans Nzoia irregularly possessed by private developers or occupied by illegal settlers, the Inspectorate Service had as at 30 June, 2022 recovered 34.09 hectares only. The prospects for recovery of the remainder 91.21 hectares were not disclosed by Management.

In the circumstances, ownership of property, plant and equipment, and accuracy and completeness of the respective net book balance of Kshs.1,072,583,000 as at 30 June, 2022 could not be confirmed.

### **2. Investments**

The statement of financial position reflects investments totalling Kshs.60,000,000 owned by the Inspectorate Service as at 30 June, 2022, and as disclosed in Note 28 to the financial statements. As previously reported, records provided for audit review indicated that the investments were made out of the KEPHIS Mortgage Scheme Fund established in 2009. However, contrary to Section 84(3) of the Public Finance Management Act, 2012, Management did not prepare and submit the financial statements of the Fund to the Auditor-General for audit in the year under review, or in previous years. Further, Management breached the law by failing to prepare and submit the financial statements for the audit as required by Section 47 (1) of the Public Audit Act, 2015.

In the circumstances, the accuracy and validity of the investments balance totalling Kshs.60,000,000 reflected in statement of financial position could not be confirmed as at 30 June, 2022.

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

### **Key Audit Matters**

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

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

#### **Basis for Conclusion**

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the Inspectorate Service's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Inspectorate Service or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Inspectorate Service's financial reporting process, reviewing the effectiveness of how the Inspectorate monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Inspectorate Service's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Inspectorate Service to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Inspectorate Service to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

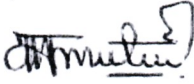
Nairobi


26 April, 2023


**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2022**

	Notes	2021-2022	2020-2021
		Kshs '000'	Kshs '000'
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	6	45,099	86,031
Transfers from other governments—gifts and services-in-kind	7	160,500	200,000
		<b>205,599</b>	<b>286,031</b>
<b>Revenue from exchange transactions</b>			
Rendering of services	8	1,250,270	1,178,004
Hire of Facilities	9	6,282	2,672
Finance income-external investments	10	155	1,299
Other income	11	1,536	2,305
		<b>1,258,243</b>	<b>1,184,281</b>
<b>Total revenue</b>		<b>1,463,842</b>	<b>1,470,312</b>
<b>Expenses</b>			
Employee costs	12	654,217	639,619
Board Expenses	13	23,847	29,750
Depreciation and amortization expense	14	94,891	89,416
Repairs and maintenance	15	70,538	59,389
Grants and subsidies	16	25,288	66,699
General expenses	17	662,862	500,112
<b>Total expenses</b>		<b>1,531,642</b>	<b>1,384,985</b>
<b>Other gains/(losses)</b>			
Gain on sale of assets	18	393	157
Gain on foreign exchange transactions	19	1,230	744
Increase/Decrease in provision for doubtful debts	30	(4,346)	-9,412
<b>Total other gains/(losses)</b>		<b>(2,723)</b>	<b>-8,511</b>
<b>Surplus/Deficit for the period</b>		<b>(70,524)</b>	<b>76,816</b>

The notes set out on pages 9 to 43 form an integral part of these Financial Statements.  
The financial statements set out on pages 1 to 48 were signed on behalf of the Board of Directors by:

  
Managing Director  
Prof. Theophilus M. Mutui

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

  
Chairman of the Board  
Hon. Peter Weru Kinyua

Date 30<sup>th</sup> March 2023

Date. 30/03/2023

Date. 30/03/2023

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Notes	2021-2022	2020-2021
		Shs '000'	Shs '000'
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	20	23,721	96,252
Receivables from exchange transactions	21/22	138,383	121,451
Receivables from non-exchange transactions	23	5,311	6,239
Inventories	24	63,175	25,926
Prepayments	25	55,784	72,868
		<b>286,373</b>	<b>322,735</b>
<b>Non-current assets</b>			
Property, plant & equipment	26/27	1,072,583	1,116,649
Investments	28	60,000	60,000
Long term receivables		-	-
		<b>1,132,583</b>	<b>1,176,649</b>
<b>Total assets</b>		<b>1,418,956</b>	<b>1,499,384</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	29	126,555	113,957
Provisions	30	7,693	8,541
Deferred income	31	57,197	79,685
Payments received in advance	32	9,474	8,641
Current Borrowing		-	-
		<b>200,920</b>	<b>210,825</b>
<b>Net assets</b>			
Reserves		1,288,560	1,211,744
Surplus/(deficit)		(70,524)	76,816
<b>Total Net Assets &amp; Liabilities</b>		<b>1,418,956</b>	<b>1,499,384</b>


The Financial Statements set out on pages 1 to 43 were signed on behalf of the Board of Directors by:

  
**Managing Director**  
**Prof. Theophilus M. Mutui**

**Date...30<sup>th</sup> March 2023.**



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

**Date. 30/03/2023**

  
**Chairman of the Board**  
**Hon. Peter Weru Kinyua**

**Date. 30/03/2023**

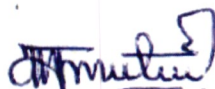
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE  
2022**

	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>Kshs '000'</b>	<b>Kshs '000'</b>	<b>Kshs '000'</b>
<b>At July 1, 2020</b>	<b>451,194</b>	<b>760,550</b>	<b>1,211,744</b>
Surplus/Deficit for the period		76,816	76,816
<b>At June 30, 2021</b>	<b>451,194</b>	<b>837,366</b>	<b>1,288,560</b>
			
<b>At July 1, 2021</b>	<b>451,194</b>	<b>837,366</b>	<b>1,288,560</b>
Surplus/Deficit for the period		(70,524)	(70,524)
<b>At June 30, 2022</b>	<b>451,194</b>	<b>766,842</b>	<b>1,218,036</b>

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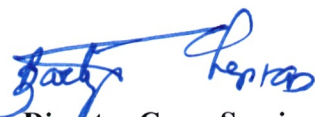
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2021-2022	2020-2021
		Kshs '000'	Kshs '000'
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	6	22,611	71,020
Transfers from other governments—gifts and services-in-kind	7	160,500	200,000
Rendering of services	8	1,250,270	1,178,004
Hire of Facilities	9	6,282	2,672
Finance income-external investments	10	155	1,299
Other income	11	2,766	3,050
<b>Total Receipts</b>		<b>1,442,584</b>	<b>1,456,045</b>
<b>Payments</b>			
Employee costs	12	654,217	639,619
Board Expenses	13	23,847	29,750
Repairs and maintenance	15	70,538	59,389
Grants and subsidies	16	25,288	66,699
General expenses	17	662,862	500,112
Remission to National Treasury			-
<b>Total Payments</b>		<b>1,436,752</b>	<b>1,295,569</b>
<b>Net cash flows from operating activities</b>		<b>5,832</b>	<b>160,477</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(50,914)	(74,706)
Proceeds from sale of property, plant and Equipment		482	200
Decrease/(increase) in current receivables		(21,197)	(9,356)
Decrease/(increase) inventories		(37,249)	3,767
Decrease/(Increase) in prepayments		17,084	4,527
(Decrease)/Increase in payables		12,597	(20,215)
(Decrease)/Increase Payment received in advance		833	(436)
<b>Net cash flows used in investing activities</b>		<b>(78,363)</b>	<b>(96,219)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(72,531)</b>	<b>64,258</b>
<b>Cash and cash equivalents at 30 June 2021</b>		<b>96,252</b>	<b>31,993</b>
<b>Cash and cash equivalents at 30 June 2022</b>		<b>23,721</b>	<b>96,252</b>
<b>Per Financial Statements</b>		<b>23,721</b>	<b>96,252</b>



**Managing Director  
Prof. Theophilus M. Mutui**

Date...30<sup>th</sup> March 2023.



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

Date. 30/03/2023



**Chairman of the Board  
Mr. Peter Weru Kinyua**

Date. 30/03/2023

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Original budget 2021-2022	Adjustments 2021-2022	Final budget 2021-2022	Actual on comparable basis 2021-2022	Performance difference 2021-2022	% Variance 2021-2022	Explanation of material variances
Revenue	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)	Kshs (000)		
<b>Revenue</b>							
Public contributions and donations	43,904	-	43,904	45,099	1,195	3%	(a)
Transfers from other governments—gifts and services-in-kind	160,500	-	160,500	160,500	-	0%	(b)
Rendering of services	1,212,188	86,367	1,298,555	1,250,270	(48,285)	-4%	(c)
Other income	4,908	6,150	11,058	7,973	(3,085)	-28%	(d)
<b>Total income</b>	<b>1,421,500</b>	<b>92,517</b>	<b>1,514,017</b>	<b>1,463,842</b>	<b>(50,175)</b>	<b>-3%</b>	
<b>Expenses</b>							
Employee costs	667,438	(28,000)	639,438	654,217	14,779	2%	(e)
Board Expenses	28,000	2,000	30,000	23,847	(6,153)	-21%	(f)
Depreciation and amortization expense	74,960	-	74,960	94,891	19,931	27%	(g)
Repairs and maintenance	66,007	653	66,660	70,538	3,878	6%	(h)
Grants and subsidies	43,904	-	43,904	25,288	(18,616)	-42%	(i)
General expenses	550,095	108,960	659,055	662,862	3,807	1%	(j)
Reimbursement							
<b>Total expenditure</b>	<b>1,430,404</b>	<b>1,514,017</b>	<b>1,514,017</b>	<b>1,531,642</b>			
<b>Other Gains /Losses</b>				<b>(2,723)</b>			
<b>Surplus for the period</b>				<b>(70,523)</b>			

**NB:** Changes between original and final budget were as a result of approved re-allocations during the period.

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

- a) Donor funded activities had minimal variation from budgeted amounts.
- b) GOK was as per budget amount.
- c) In spite of 6% growth in internally generated revenue the target in the budget was not achieved -3.7% due to waiver of inspection fees.
- d) Other revenue was lower than budget target.
- e) Total targeted revenue not achieved due to factors highlighted above.
- f) Personnel emoluments exceeded budget estimate due to implementation of new grades in arrears.
- g) The board expenditure was below budget during to reduced membership in parts of the year and virtual attendance.
- h) Actual depreciation was 25.7 % higher that estimated in the budget.
- i) Repair and maintenance cost was within budget range.
- j) Grants and subsidies relate to development partners activities. Some of the activities were not completed by end of the financial year.
- K) The general expenditures was within expected level due to increased post covid activities and high inflation.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General information**

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

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

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

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

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

Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

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

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<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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

**ii. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in year 2021/2022.

**4. Summary of significant accounting policies**

**a) Revenue recognition**

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

*Fees*

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

*Transfers from other government entities*

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

**ii) Revenue from exchange transactions**

*Rendering of services*

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

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

*Sale of goods*

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

*Interest income*

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

**b) Budget information**

The original budget for FY 2021-2022 was approved by the National Assembly on 30<sup>th</sup> March 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriation on the 2021-2022 budget.

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

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

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

**c) Taxes**

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

**d) Property, plant and equipment**

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

The depreciable amounts of assets (cost or valuation amount less residual value) are allocated over the estimated useful life of the assets. Depreciation is calculated on the straight-line method. Depreciation is applied on pro rata basis for assets acquired i.e. from month of acquisition. Assets disposed of during the year are not depreciated.

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The Corporation applies the following rates of depreciation:

- Freehold land - nil
- Buildings 2%
- Plant and Machinery 12.5%
- Motor Vehicles 25%
- Office Equipment 12.5%
- Furniture and fixtures 12.5%
- Laboratory Equipment 12.5%
- Computers & Accessories 33.33%

The following residual values have been adopted:

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

**e) Leases**

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

**f) Intangible assets**

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

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

**g) Research and development costs**

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

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

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

How the asset will generate future economic benefits or service potential

The availability of resources to complete the asset

The ability to measure reliably the expenditure during development.

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

**h) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

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

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

***Impairment of financial assets***

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

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

**i) Financial liabilities**

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

**j) Loans and borrowing**

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

**k) Inventories**

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

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

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

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

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

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

## **Provisions**

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

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

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

### ***Contingent liabilities***

The Corporation does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### ***Contingent assets***

The Corporation does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

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

The Corporation creates and maintains reserves in terms of specific requirements. The corporation maintains two reserves namely, retained earnings reserve revaluation reserve and. Revaluation reserves of Kshs. 451,194,344.00 reflected in the financial statements arose out of revaluation of corporation assets while the retained earnings reserve have a balance of Kshs. 768,375,783 arising out of accumulated surplus since inception.

**Changes in accounting policies and estimates**

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

**j) Employee benefits**

**Retirement benefit plans**

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

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June 2021 was Kshs. 107.85. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**l) Borrowing costs**

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

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

**m) Related parties**

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

**n) Service concession arrangements**

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

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

**o) Cash and cash equivalents**

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

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

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

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

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

**Provisions**

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

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**6. Public contributions and donations**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
Project grant COPE	13,903	5,154
COMESA/RIIP	7,000	22,000
SASHA II/Prebasic seed revolving fund	-	176
EU-SMAP	5	-
CIP Pre-Basic revolving Fund	72	-
CIP Ralstonia	-	-
USAID foodscap	-	43,360
Natural History Museum	427	-
IITA cassava Rap	-	-
STDF/COMESA	-	-
EAPP	67	-
Agri experience	-	330
Gattsby Africa	1,136	
<b>Total Transfers and sponsorship</b>	<b>22,611</b>	<b>71,020</b>
<b>Reconciliation of public contribution and donations</b>		
Balance unspent at the beginning of the year	79,685	94,696
	22,611	71,020
Current year receipts		
Condition met-transferred to revenue	(45,099)	(86,031)
<b>Condition to be met -remain liabilities</b>	<b>57,197</b>	<b>79,685</b>

These funds are received from various development partners and stakeholders

**7. Transfers from other governments**

**a) Grant**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>Unconditional grants</b>		
Operational grant	160,500	200,000
Other		
	<b>160,500</b>	<b>200,000</b>
<b>Conditional grants</b>		
Development Grant	-	-
<b>Total government grants and subsidies</b>	<b>160,500</b>	<b>200,000</b>

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial Performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2021-22	2021-22
	Kshs	Kshs	Kshs	Kshs	Kshs
Ministry of Agriculture Livestock and Fisheries/State department of Research	160,500	-	-	-	160,500
<b>Total</b>	<b>160,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,500</b>

**8. Rendering of services**

Description		2021-2022	2020-2021
Department	Section	KShs 000	KShs 000
Phyosanitary	JKIA Plant Inspection Unit	335,990	310,371
	Plant Quarantine Station Muguga Muguga	27,837	19,139
	Namanga Boarder Post	114,696	67,766
	Loitoktok Boarder Post	41,926	19,708
	ICD Nairobi	4,758	1,386
	Headquaters Phytosanitary	11,328	23,606
	Headquaters Molecular Laboratory	5,667	3,143
	Mombasa Chief Grader	154,941	222,114
	Lungalunga Boarder Post	42,369	11,793
	Taveta Boarder Post	43,726	29,905
	Bura Station	143	225
	Shimoni	51	-
	Naivasha	12,193	12,597
	Kisumu Main Office	10,764	7,815
	Busia Boarder Post	56,152	83,558
	Isebania Boarder Post	30,706	10,437
	Embu Regional Office	11,163	10,053
	Moyale Boarder Post	7,703	7,298
Timau Station	5,666	4,325	
Nyeri	1,179	2,119	

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Description		2021-2022	2020-2021
Department	Section	KShs 000	KShs 000
	<b>Total Phytosanitary Revenue</b>	<b>918,956</b>	<b>847,360</b>
Seed Certification	Headquarters Seed Section	43,916	37,617
	Nakuru Main Office	62,586	69,262
	Kitale Main office	99,973	82,985
	Malaba Boarder Post	62,627	78,085
	Eldoret Station	3,178	5,790
	Swam	506	895
	Lwakhakha	3,930	3,908
	<b>Total Seed Certification Revenue</b>	<b>276,715</b>	<b>278,543</b>
Plant Variety Services	Headquarters	21,651	12,617
Analytical Laboratory Services	Headquarters	32,948	38,485
<b>Total revenue from the rendering of services</b>		<b>1,250,270</b>	<b>1,178,004</b>

**9. Rental revenue from facilities**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
Conference and Accommodation	6,282	2,672
<b>Total rentals</b>	<b>6,282</b>	<b>2,672</b>

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

**10. Finance income**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
Interest from Mortgage Deposit and other deposits	155	1,299
<b>Total finance income – external investments</b>	<b>155</b>	<b>1,299</b>
Interest Received	0	0
Interest receivable	155	1,299
<b>Total Interest receivable</b>	<b>155</b>	<b>1,299</b>

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

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**11. Other income**

	2021 - 2022	2020 - 2021
	Kshs 000	Kshs 000
Miscellaneous receipts	1,536	2,305
<b>Total other income</b>	<b>1,536</b>	<b>2,305</b>

Incomes received from rented houses in Headquarters, Nakuru and Kitale

**12. Employee costs**

	2021 - 2022	2020 - 2021
	Kshs 000	Kshs 000
Basic Salary	312,496	303,423
Casual Labour	63,889	55,887
Gratuity and Pension	49,648	42,051
House Allowance	110,268	115,269
Transfer Allowance	1,265	1,200
Other Personal Allowances	47,643	49,348
Overtime Allowance	2,272	2,714
Passage & Leave Expenditure	4,222	4,720
Medical Expenses	56,124	56,019
Staff life and accident cover	6,390	8,938
Staff Counselling & support services	-	50
<b>Total employee cost</b>	<b>654,217</b>	<b>639,619</b>

**13. Remuneration of directors**

Description	2021 - 2022	2020 - 2021
	Kshs 000	Kshs 000
Medical Expenses	1,123	871
Board Committees and Seminars	21,810	27,835
Chairman's Honoraria	914	1,044
<b>Total director emoluments</b>	<b>23,847</b>	<b>29,750</b>

**14. Depreciation and amortization expense**

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Description	2021 - 2022	2020 - 2021
	Kshs 000	Kshs 000
Property, plant and equipment	94,891	89,416
<b>Total depreciation and amortization</b>	<b>94,891</b>	<b>89,416</b>

**15. Repairs and maintenance**

Description	2021 - 2022	2020 - 2021
	Kshs 000	Kshs 000
Maintenance of Motor Vehicle	35,621	29,474
Maintenance of Plant Machinery & Equipment	14,892	12,850
Maintenance of Buildings and stations	20,025	17,065
<b>Total depreciation and amortization</b>	<b>70,538</b>	<b>59,389</b>

**16. Grants and subsidies**

Description	2021-2022	2020 - 2021
	Kshs 000	Kshs 000
Project grant COPE	13,490	3,144
ASSIP -K	81	-
COMESA/RIIP	9,219	18,340
SASHA II/Prebasic seed fund	717	-
Agri experience	-	330
IITA Cassava Rap		
CIMMYT		
USAID Foodscap	377	44,885
Natural History Museum		
TMEA		
<b>Total Transfers and sponsorship</b>	<b>25,288</b>	<b>66,699</b>

KEPHIS in collaboration with Trade mark East Africa (TMEA) is implementing a seed and IEICS system that is ongoing (Financial Year 2020/2021) whose expenses are not included until completion and valuation of the intangible asset to ascertain value.

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**17. General expenses**

<b>Description</b>	<b>2021-2022</b>	<b>2020 - 2021</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
Electricity	19,797	18,390
Water & Conservancy	1,020	1,591
Telephone	4,317	3,626
Postal & Courier	5,194	4,527
Internet Services	19,760	14,033
Local travel & Accommodation	278,068	153,360
External Travel	22,421	2,082
Publishing & printing	45,776	73,915
Advertising & publicity	3,306	1,906
Trade shows & Exhibitions	10,089	546
Rents & Rates	8,017	8,669
Hire of transport	1,353	443
Training (stakeholders)	6,832	4,724
Catering services	6,892	5,448
Insurance premiums - vehicles & other assets	5,582	5,832
Laboratory stores	32,781	31,551
Education & library	1,817	1,447
Uniform & clothing	2,203	4,392
Purchases of NPT DUS PC and farm inputs	7,189	8,018
General office supplies and Stationery	12,756	14,103
Supply and accessories for computers and Printers	27,170	26,257
Fuel & lubricants	34,045	30,611
Bank Charges	4,941	4,369
Guards & cleaning services	30,807	26,954
Contracted professional services	16,772	8,170
Others - Miscellaneous	836	579
Contribution to private and international organisations	3,703	5,887
Farmers demos & field day food & ration	33,444	21,029
Audit fees	1,922	0
Compensation and ex-gratia	865	1,443
Corporate social responsibility	901	737
Staff Training	12,299	15,473
<b>Total General Expenditure</b>	<b>662,862</b>	<b>500,112</b>

**18. Gain on sale of Assets**

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Description	2021-2022	2020 - 2021
	Kshs 000	Kshs 000
Motor Vehicles	393	157
Office Equipment	-	-
Furniture & Fitting	-	-
<b>Total gain</b>	<b>393</b>	<b>157</b>

**19. Gain on foreign exchange**

Description	2021-2022	2020 - 2021
	Kshs 000	Kshs 000
<b>Realised Exchange Gain/loss</b>	<b>1,230</b>	<b>744</b>

**20. Detailed Analysis of the Cash and Cash Equivalents**

Institution	Description	Account Number	2021-2022	2020-2021
			Kshs 000	Kshs 000
<b>Current accounts</b>				
CBA	KEPHIS USAID	6523810022	1,862	2,222
KCB	KEPHIS	1108285430	4,544	3,365
KCB	KEPHIS	1108285678	3,261	50,773
KCB	KEPHIS(Dollar)	1104843269	2,747	6,130
KCB	Kephis-Assip	1138298948	290	291
KCB	Kephis-Cope	1130043959	2,762	2,573
KCB	Kephis sinking Fund	1128368366	131	131
KCB	Kephis EAAPP Project	1121039685	260	261
NBK	Kephis	1001017146200	9	9
NIC	EU Smap	1001569364	5	5
CBA	Kephis JKIA	6523810017	4,382	22,689
	MPESA		1,338	1391
			<b>21,593</b>	<b>89,841</b>
KCB	Kephis Kisumu	1104038307	185	796
KCB	Kephis Kitale	1108814093	143	545
KCB	Kephis Mombasa Office	1101574712	16	21
KCB	Kephis Naivasha	1121954359	27	483
KCB	Kephis Nakuru	1101844876	78	18
KCB	Kephis Plant Quarantine	1107093724	17	292

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Institution	Description	Account Number	2021-2022	2020-2021
			Kshs 000	Kshs 000
KCB	JKIA		65	2,021
KCB	Kephis Embu	1102966649	3	11.5
			534	4,187
	Un-deposited funds		1,593	2,224
<b>Total cash and cash equivalents</b>			<b>*23,721</b>	<b>96,252</b>

\* Total project grants deferred and included in the total cash and cash equivalent of Kshs. 23.7 million is Kshs. 10.2 million

**21. Receivables from Exchange Transactions**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
<b>Current receivables</b>		
Service debtors	163,064	140,939
Less: impairment allowance	(24,682)	(19,488)
<b>Total current receivables</b>	<b>138,383</b>	<b>121,451</b>

**22. Impairment Allowance computation**

0-30 Days	30-90 Days	90-365 Days	1 -3yrs	Over 3yrs	TOTAL
7.5%	7.5%	7.5%	7.5%	100%	
5,563,377	1,190,235	3,345,524	1,121,075	13,461,439	<b>24,681,651</b>

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

Description	2020-2021	2019-2020
	Kshs 000	Kshs 000
<b>Current receivables</b>		
Staff advances	36	30
Interest receivable	2,099	2,198
Medical Advance	3,176	4,010
<b>Total current receivables</b>	<b>5,311</b>	<b>6,239</b>

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**24. Inventories**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
<b>Inventories</b>	<b>63,175</b>	<b>25,926</b>

**25. Prepayments**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
Prepayment Supplies	43,008	**56,414
Deposit Supplies	10,666	6,566
Travel Imprest	2,109	9,888
<b>Total Prepayments</b>	<b>55,784</b>	<b>72,868</b>

*\*\* Prepayment supplies amount restated to align with approved financial statements for the year 2020/2021. No effect on financial statements for year 2020/21 because this was a typo error.*

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26. Property, plant and equipment**

<b>COST OR VALUATION</b>	<b>LAND</b>	<b>BUILDINGS</b>	<b>PLANT AND MACHINERY</b>	<b>MOTOR VEHICLES</b>	<b>COMPUTERS AND ACCESSORIES</b>	<b>OFFICE EQUIPMENT</b>	<b>FURNITURE AND FITTINGS</b>	<b>LABORATORY EQUIPMENTS</b>	<b>WIP</b>	<b>TOTALS</b>
<b>cost: Shs.'000'</b>										
July 1st 2020	264,666	639,699	81,080	239,725	112,048	35,080	19,121	473,107	18,799	1,883,325
Additions	-	-	6,726	49,847	11,087	3,045	499	4,798		76,003
Transfer	-	-	-	-	-	-	-	-	(1,297)	(1,297)
Disposal	-	-	-	(430)	-	-	-	-		(430)
<b>At 30th June 2021</b>	<b>264,666</b>	<b>639,699</b>	<b>87,806</b>	<b>289,142</b>	<b>123,134</b>	<b>38,126</b>	<b>19,620</b>	<b>477,905</b>	<b>17,502</b>	<b>1,957,601</b>
July 1st 2021	264,666	639,699	87,806	289,142	123,134	38,126	19,620	477,905	17,502	1,957,601
Additions	-	-	3,045	22,220	16,654	2,978	2,663	3,353		50,914
Transfer	-	-	-	-	-	-	-	-		-
Disposal	-	-	-	(900)	-	-	-	-		(900)
<b>At 30th June 2022</b>	<b>264,666</b>	<b>639,699</b>	<b>90,851</b>	<b>310,462</b>	<b>139,788</b>	<b>41,104</b>	<b>22,284</b>	<b>481,259</b>	<b>17,502</b>	<b>2,007,615</b>
<b>DEPRECIATION</b>										
July 1st 2020	-	112,165	59,448	186,399	92,113	21,641	13,081	267,847	-	752,694

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<b>COST OR VALUATION</b>	<b>LAND</b>	<b>BUILDINGS</b>	<b>PLANT AND MACHINERY</b>	<b>MOTOR VEHICLES</b>	<b>COMPUTERS AND ACCESSORIES</b>	<b>OFFICE EQUIPMENT</b>	<b>FURNITURE AND FITTINGS</b>	<b>LABORATORY EQUIPMENTS</b>	<b>WIP</b>	<b>TOTALS</b>
cost: Shs.'000'										
Charge for the year	-	12,794	6,397	15,788	9,326	2,688	1,109	41,313	-	<b>89,416</b>
Disposal	-	-	-	(387)	-	-	-	-	-	<b>(387)</b>
<b>Accumulated at 30th June 2021</b>	<b>-</b>	<b>124,959</b>	<b>65,846</b>	<b>201,799</b>	<b>101,439</b>	<b>24,329</b>	<b>14,189</b>	<b>309,160</b>	<b>-</b>	<b>841,723</b>
July 1st 2021	-	124,959	65,846	201,799	101,439	24,329	14,189	309,160	-	<b>841,723</b>
Charge for the year	-	12,794	7,012	25,978	9,413	2,784	1,104	35,806	-	94,891
Disposal	-	-	-	(811)	-	-	-	-	-	(811)
<b>Accumulated at 30th June 2022</b>	<b>-</b>	<b>137,753</b>	<b>72,858</b>	<b>226,966</b>	<b>110,851</b>	<b>27,113</b>	<b>15,294</b>	<b>344,967</b>	<b>-</b>	<b>935,802</b>
<b>Net Book Value at 30th June 2022</b>	<b>264,666</b>	<b>501,946</b>	<b>18,764</b>	<b>83,495</b>	<b>28,937</b>	<b>13,991</b>	<b>6,990</b>	<b>136,292</b>	<b>17,502</b>	<b>1,072,583</b>
<b>Net Book Value at 30th June 2021</b>	<b>264,666</b>	<b>514,739</b>	<b>22,731</b>	<b>87,343</b>	<b>21,695</b>	<b>13,797</b>	<b>5,430</b>	<b>168,745</b>	<b>17,502</b>	<b>1,116,649</b>

- All Assets have been presented on Historical cost or Revaluation amounts (for assets purchased before November 2009) Less accumulated Depreciation.
  - Current valuation on assets was undertaken by Proland Valuers and valuation figures will be rolled up from 1<sup>st</sup> July 2022. Prior valuation was by CB Richard Ellis in November 2009. Valuation based on Open Market Value.
  - WIP constitutes Capital Expenditure on Intangible Asset (Seed system and IEICS system)
- Valuation**

All asset categories as per above were valued by in line with the National Assets and Liabilities Management Policy and Guidelines (Issued 30<sup>th</sup> June 2020). These amounts will be adopted on 1st July 2022.

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**27. Intangible Assets**

Description	2021-2022	2020-2021
	Kshs	Kshs
<b>Cost</b>		
At beginning of the year	17,502	17,502
Additions	-	-
<b>At end of the year</b>	<b>17,502</b>	<b>17,502</b>

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

**28. Investment Property**

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
At beginning of the year	60,000	60,000
Additions	-	-
Depreciation	-	-
<b>At end of the year</b>	<b>60,000</b>	<b>60,000</b>

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

Financial Performance for Investment	2021-2022
	Kshs 000
Interest Receipts	155
<b>Surplus</b>	<b>155</b>

Financial Position for Investment	2021-2022
	Kshs 000
Cash and Cash equivalent	-
Interest Receivable	2,099
<b>Total Current Assets</b>	<b>2,099</b>
<b>Non-Current Assets</b>	
Long term receivable from exchange transactions	60,000
<b>Net Assets</b>	<b>62,099</b>
Capital Fund	60,000
Accumulated Surplus	2,099
<b>Total Net assets &amp; Liabilities</b>	<b>62,099</b>

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

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
Trade Creditors	94,789	87,530
Sundry Creditors	31,048	25,432
Tax Liability	717	996
<b>Totals</b>	<b>126,555</b>	<b>113,957</b>

**30. Current provisions**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>Audit fee Provision</b>		
Balance at the beginning of the year	2,883	1,922
Additional Provisions	961	961
Provision utilised	1,922	-
Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
<b>Balance at the end of the year</b>	<b>1,922</b>	<b>2,883</b>
<b>Provision for Doubtful Debt</b>		
Balance at the beginning of the year	19,498	16,695
Additional provision	5,193	2,793
Change due to discount and time value for money	-	-
<b>Balance at the end of the year</b>	<b>24,681</b>	<b>19,498</b>
<b>Provision for Gratuity</b>		
Balance at the beginning of the year	2,689	-
Additional provision	114	2,689
Change due to discount and time value for money	-	-
<b>Balance at the end of the year</b>	<b>2,803</b>	<b>2,689</b>
<b>Ex-gratia Provision</b>		
Balance at the beginning of the year	2,969	-
Additional provision	-	2,969
Change due to discount and time value for money	-	-
<b>Balance at the end of the year</b>	<b>2,969</b>	<b>2,969</b>
<b>Total Provision (1922+2731+2969)</b>	<b>7,693</b>	<b>8,541</b>
<b>Change in provision</b>	<b>4,346</b>	<b>9,412</b>

### 31. Deferred income

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
Public contributions and donations	10,238	15,501
Donated assets	46,960	64,184
<b>Total deferred income</b>	<b>57,198</b>	<b>79,685</b>

The deferred movement is as follows

Public contributions and donations	
Balance brought forward	79,685
Additions	22,611
Transfers to Capital fund	(2,586)
Transfers to income statement	(25,288)
Transfer to depreciation	(17,225)
Balance carried forward	57,198

### 32. Payment Received in Advance

Description	2021-2022	2020-2021
	Kshs 000	Kshs 000
Prepayment Liability	9,474	8,641

### 33. Financial Risk Management

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

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

#### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and

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deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>	<b>Kshs. '000'</b>
<b>At 30 June 2022</b>				
Receivables from exchange transactions	140,186	128,674	11,512	22,878
Receivables from non-exchange transactions	9,737	9,737	-	-
<b>Total</b>	<b>149,923</b>	<b>138,411</b>	<b>11,512</b>	<b>22,878</b>
<b>At 30 June 2021</b>				
Receivables from exchange transactions	140,939	131,317	9,622	19,488
Receivables from non-exchange transactions	6,239	6,239	-	-
<b>Total</b>	<b>147,178</b>	<b>137,556</b>	<b>9,622</b>	<b>19,488</b>

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

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

**(ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Between 3-5 Months	Over 5 months	Total
	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000
<b>At 30 June 2022</b>					
Trade payables	79,161	13,301	2,326	-	94,789
Provisions	6,732	-	-	961	7,693
Deferred income	57,197	-	-	-	57,197
Employee benefit obligation	19,184	-	-	-	19,184
<b>Total</b>	<b>156,503</b>	<b>13,301</b>	<b>2,326</b>	<b>1,922</b>	<b>178,863</b>
<b>At 30 June 2021</b>					
Trade payables	84,185	5,912	2,725	592	93,414
Provisions	961	-	-	1,922	2,883
Deferred income	79,685	-	-	-	79,685
Employee benefit obligation	19,556	-	-	-	19,556
<b>Total</b>	<b>184,387</b>	<b>5,912</b>	<b>2,725</b>	<b>2,514</b>	<b>195,538</b>

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

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

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**a) Foreign currency risk**

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

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

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>At 30 June 2022</b>			
<b>Financial assets</b>			
Cash	90,122	6,130	96,252
Debtors	126,921	14,018	140,939
<b>Total financial assets</b>	<b>217,043</b>	<b>20,148</b>	<b>237,230</b>
<b>Financial Liabilities</b>			
Trade and other payables	111,832	2,125	113,957
<b>Total financial liabilities</b>	<b>111,832</b>	<b>2,125</b>	<b>113,957</b>
<b>Net foreign currency asset/(liability)</b>	<b>105,198</b>	<b>18,023</b>	<b>123,273</b>

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

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>At 30 June 2022</b>			
<b>Financial assets</b>			
Cash	20,973	2,748	23,721
Debtors	116,814	23,372	140,186
<b>Total financial assets</b>	<b>137,787</b>	<b>26,120</b>	<b>163,907</b>
<b>Financial Liabilities</b>			
Trade and other payables	125,681	874	126,555
<b>Total financial liabilities</b>	<b>125,681</b>	<b>874</b>	<b>126,555</b>
<b>Net foreign currency asset/(liability)</b>	<b>12,106</b>	<b>25,246</b>	<b>37,352</b>

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**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the foreign currency, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant

**Foreign currency sensitivity analysis (Continued)**

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on equity</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>2022</b>			
USD	10%	±1,802	±1,802
<b>2021</b>			
USD	10%	±1,802	±1,802

**b) Interest rate risk**

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

***Management of interest rate risk***

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

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**iv) Capital Risk Management**

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

	2021-2022	2020-2021
	Kshs 000	Kshs 000
Revaluation reserve	451,194	451,194
Retained earnings	766,842	837,366
<b>Total funds</b>	<b>1,218,036</b>	<b>1,288,560</b>
Total borrowings	201,056	210,825
Less: cash and bank balances	(23,721)	(96,252)
Net debt/(excess cash and cash equivalents)	177,335	114,573
<b>Gearing</b>	<b>0.14</b>	<b>0.09</b>

**34. RELATED PARTY BALANCES**

**Nature of related party relationships**

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

**Government of Kenya**

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

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

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	2021-2022	2020-2021
	Kshs 000	Kshs 000
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Govt	160,500	200,000
<b>Total</b>	<b>160,500</b>	<b>200,000</b>
<b>b) Key management compensation</b>		
Directors' emoluments	23,847	29,750
Compensation to the CEO	5,947	5,947
Compensation to key management	12,636	12,636
<b>Total</b>	<b>48,333</b>	<b>48,333</b>

**35. Surplus Remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *In line with this legal requirement KEPHIS did not make any surplus during the year (FY 2021/22) and hence no remittance has been made to the Consolidated Fund.*

**36. Events after the Reporting Period**

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

**37. Ultimate and Holding Entity**

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

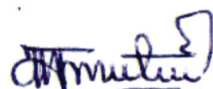
**38. Currency**

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

**APPENDIX 1: 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved /Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers	<p>Muguga and Nakuru land are not in dispute and are part of larger parcels held by KALRO. The Corporation obtained letters of no objection from KALRO to process sub-division and titles for the two parcels. The process is still ongoing.</p> <p>In regard to Kitale land, the Corporation has over the years made a lot of effort to obtain title for the land and recover the encroached portion. These efforts can only succeed with full support of the Government.</p>	Prof. Theophilus M. Mutui Managing Director	Not resolved by the date of submitting this report to the Office of the Auditor General	Not possible to project due to the fact that there are other key stakeholders involved in the process.



**Managing Director  
Prof. Theophilus M. Mutui, PHD**

**Date:30<sup>th</sup> March 2023**

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**APPENDIX II: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the State Department of Agricultural Research				
a.	FY 21/22			
	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	
		05-08-21	40,125,000	FY 2021/22
		04-11-21	40,125,000	FY 2021/22
		11-02-22	13,375,000	FY 2021/22
		25-02-22	13,375,000	FY 2021/22
		28-03-22	13,375,000	FY 2021/22
		06-05-22	13,375,000	FY2021/22
		16-06-22	13,375,000	FY2021/22
		24-06-22	13,375,000	FY 2021/22
		<b><u>TOTAL</u></b>	<b>160,500,000</b>	

