

REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY	
P. _____	
DATE: 06 JUL 2023	DAY: Thursday
TABLED BY: Hon. Samuel Chepkonga, MP	
CLERK AT THE TABLE: Joyce Hropelle	

OF

THE AUDITOR-GENERAL

ON

**NATIONAL CEREALS AND PRODUCE
BOARD**

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

30th June 2022



Leaders in Trade and Management
of Agricultural Commodities.



NATIONAL CEREALS AND PRODUCE BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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I. Key Entity Information

a) Background information

National Cereals and Produce Board was established by Chapter 338 Act of Parliament on 8th August 1985. At cabinet level, the Board is represented by the Cabinet Secretary for Agriculture who is responsible for the general policy and strategic direction of the Board. NCPB is domiciled in Kenya and has several branches spread all over the country.

b) Principal Activities

The main activities of the Board are:-

- i. Trading in agricultural produce, i.e. maize, wheat, rice, beans, millet, green grams and sorghum
- ii. Management of the National Food Reserves (NFR) on behalf of the Government of Kenya as well as organising and coordinating activities of the Food Balance Sheet Committee (FBSC).
- iii. Provision of grain post-harvest services like drying, cleaning, storing, warehousing, fumigation, weighing, bagging and other related services to farmers and other interested parties at affordable rates
- iv. Carrying out market intervention on behalf of the government for grains and farm inputs.

Vision Statement

A trusted service provider in agricultural commodity trade and food security.

Mission Statement

To promote food production, trade in agricultural products and promote premier warehousing.

Values

To achieve our Vision and Mission, the following Core Values are our guiding principles:

- Efficiency
- Team work
- Integrity and Accountability
- Customer Service
- Creativity and Innovation

c) Directors

The Directors who served the entity during the year were as follows:

- | | |
|-------------------------------------|--|
| 1. Mutea Iringo, CBS | - Chairman (Appointed on 4 th Oct 2021 up to 3 rd Oct 2024) |
| 2. Mr. Joseph Muna Kimote, MBS | - Managing Director (Appointed on 25 th June 2019) |
| 3. Ms. Eunice Wanjiru Kamau Karanja | - Member (Appointed 14 th Dec 2018 up to 13 th Dec 2021) |
| 4. Mr. David Kamiti Kasirimo | - Member (Appointed 28 th Oct 2021 up to 27 th Oct 2024) |
| 5. Amb. David M. Mutui | - Member (Appointed 3 rd May 2019 up to 2 nd May 2022) |
| 6. Ms. Jane Waroga | - Member (Appointed 3 rd May 2019 up to 2 nd May 2022) |
| 7. Mr. Philip Tarus | - Member (Rep. Devolution & ASAL's) (Appointed 12 th Oct 2018) |
| 8. Mr. James Ndungu Murea | - Member (Appointed 13 th July 2020 up to 12 th July 2023) |
| 9. Dr. Stephen Ikikii | - Member (Appointed 23 rd April 2020) |
| 10. Mr. Peter Owoko | - Alternate to PS, State Department for Crop Development MOALF & COOP (Appointed 16 th November 2020) |
| 11. Mr. Isaac Omondi | - Member (Rep. Inspectorate) (Appointed 22 nd January 2021) |
| 12. James Mungai | - Member (Appointed 20 th May 2022) |

d) Corporate Secretary

Mr. John K. Ngetich

P.O. Box 30586

Nairobi

e) Registered Office

Nyumba ya Nafaka

Machakos Road

P.O. Box 30586

Nairobi, KENYA

f) Corporate Headquarters

P.O. Box 30586

Nyumba ya Nafaka

Machakos Road

Nairobi, KENYA

g) Corporate Contacts

Telephone: 254(20) 536028/555288

E-mail: md@ncpb.co.ke

Website: ncpb.co.ke

h) Corporate Bankers

1. Kenya Commercial Bank	2. Cooperative Bank of Kenya	3. Consolidated Bank	4. National Bank of Kenya
P.O. Box 48400	P.O.Box 48231	P.O.Box 5113	P.O.Box 41862
NAIROBI	NAIROBI	NAIROBI	NAIROBI

i) Independent Auditors

Auditor-General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Advisers

1. The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200



Nairobi, Kenya


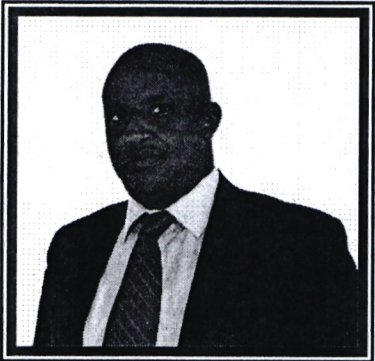

2. Advocates



Various


A list is available at the Board

II.The Board of Directors



<p>1.</p>	<p>Mutea Iringo, Chairman, CBS</p> 	<p>Born in 1961 was appointed Chairman on 28th March 2018. Has over 25 years' experience in public service having started his career as an Assistant Secretary in the Ministry of Local Government, later to the Office of the President as a District Officer, where he rose to become a Senior District Commissioner and later promoted to secretary in charge of internal security. He served as Permanent Secretary in the Ministry of State for Provincial Administration and later Principal Secretary, Ministry of Interior and Coordination of National Government and Internal Security and finally Principal Secretary Ministry of State for Defence.</p> <p>Holds a Master's Degree in International Studies and a Bachelor's Degree in Political Science from the University of Nairobi. He is also an alumni of National Defence College (NDC) where he studied policy and strategy formulation. He has trained in management and security in Kenya School of Government and Internationally in USA and Israel.</p>
<p>2.</p>	<p>Managing Director, Mr. Joseph Muna Kimote, MBS</p> 	<p>Mr. Kimote holds a Master of Business Administration (MBA) from Moi University and a Bachelor of Arts degree in Economics from The University of Nairobi. Before joining the Board, Mr. Kimote was the General Manager at the National Social Security Fund (NSSF). He has held several other leadership positions including Director – Institutional Planning and Development, United States International a University; Project Manager – USAID/EPC Trade Development Programme, and a Senior Consultant at Deloitte & Touche. Joseph is a Full member of the Institute of Directors of Kenya, Kenya Institute of Management and Institute of Human Resource Management. He is also a member of the Board of Directors of Bamburi Cement Limited. He has also previously served as a Board Member National Bank of Kenya Limited, AIC Kijabe Cure International Hospital and Precious Blood Secondary School, Riruta. He has undergone extensive trainings in Advanced Leadership and Corporate Governance locally and internationally.</p>



<p>3.</p>	<p>Eunice Wanjiru Kamau Karanja</p> 	<p>Born 1972, Holds a masters in Strategic management and leadership from St. Paul's University and a Bachelor of commerce degree (Human resource Management) from Catholic university of Eastern Africa. She has over 15 years working experience. Before joining NCPB she was a director at Water service and regulatory Board and has held other key positions in various institutions including UNDP, NSC, KBS, PSC and AMREF.</p>
<p>4.</p>	<p>David Kamiti Kasirimo</p> 	<p>Mr. Kasirimo is a Sports entrepreneur, a politician and a businessman based in Kajiado county. He has worked in various capacities and with leaders in the county. He is also involved in community activities like in the fight against HIV/AIDS and Alcohol and Drug Abuse</p>
<p>5.</p>	<p>Ms. Jane Waroga</p> 	<p>Born in 1962. Holds a Bachelor of Arts Degree (Social Work) from the University of Nairobi and a Diploma in Counseling from Kenyatta University. Before joining NCPB she was a Director at Embu Water and Sanitation Company. Has over 30 years working experience She has worked in various capacities at Plan International.</p>

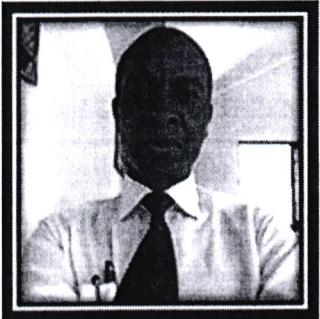


6.	<p>AMB. David Mutemi Mutui, MBS</p> 	<p>Born in 1956 Holds Master of Arts in International Conflict Management (MAICM) from the University of Nairobi and Bachelor of Arts (BA) Public Administration and Political Science, University of Nairobi. A member of the Kenya Association for Public Administration and Management (KAPAM). He has 30 years' work experience in public administration and diplomacy. Before joining NCPB he was a Director of Beada Millers Ltd, Nakuru. He has held other key positions in various ministries including Ministry of Foreign Affairs and International Trade, Ministry of Justice, National Cohesion and Constitutional Affairs, Ministry of Development Coordination. He has also held various positions in the public administration in different counties including Wajir County, Bomet County, Baringo County, Nakuru County and Kisumu County.</p>
7.	<p>Mr. James Ndung'u Mureu</p> 	<p>Holds a B.Sc degree in Business Management from Hartford University, USA and is currently studying for an MBA from the Mancosa college of business, South Africa. He also holds a diploma in banking from the Kenya Polytechnic. He has worked at the Central Bank of Kenya for 14 years. He is currently the Managing Director of Prolong Paints K Ltd and the Chairman of Mastrade Holdings Ltd.</p>



8.	<p>John K. Ngetich, Corporation Secretary</p> 	<p>Joined the Board's Legal Department in 1999 after previously working for Hilian Investments (K) Limited. A Qualified advocate, he hold Bachelor of Laws and BA (Political Science) degrees as well as a Post-graduate Diploma in Law. He responsible for overall Overseeing and undertaking all legal aspects of the Board's Business and secretarial services.</p>
9.	<p>Mr.Philip Tarus</p>	<p>Board Member (Alternate to PS, State Department of Special Programmes)</p>
10	<p>Dr. Stephen Ikiiki</p>	<p>Treasury appointed on 23/04/2020</p>
11	<p>James Mungai</p>	<p>Treasury appointed on 20/05/2022</p>
12	<p>Mr. Peter Owoko</p>	<p>Alternate to PS, State Department for Crop Development MOALF & COOP</p>
13	<p>Mr.Isaac Omondi</p>	<p>Representative, Inspectorate appointed 22/01/2021</p>

III. Management Team

1.	<p>MR. Joseph Muna Kimote, MBS. Managing Director</p> 	<p>Mr. Kimote holds a Master of Business Administration (MBA) from Moi University and a Bachelor of Arts degree in Economics from The University of Nairobi. Before joining the Board, Mr. Kimote was the General Manager at the National Social Security Fund (NSSF). He has held several other leadership positions including Director – Institutional Planning and Development, United States International a University; Project Manager – USAID/EPC Trade Development Programme, and a Senior Consultant at Deloitte & Touche. Joseph is a Full member of the Institute of Directors of Kenya, Kenya Institute of Management and Institute of Human Resource Management. He is also a member of the Board of Directors of Bamburi Cement Limited. He has also previously served as a Board Member National Bank of Kenya Limited, AIC Kijabe Cure International Hospital and Precious Blood Secondary School, Riruta. He has undergone extensive trainings in Advanced Leadership and Corporate Governance Locally and Internationally.</p>
2.	<p>Samuel Karogo Ndung’u , General Manager, Finance and Accounting</p> 	<p>Mr. Ndung’u is a holder of a Master’s degree in Business Management (Finance) from the University of Nairobi, and a Bcom graduate of Mangalore University, India. He has a wealth of experience in financial management and accountancy gained from serving both in public and private sectors. He has worked as an Audit Senior at WIA East Africa and with the Nyeri Water and Sewerage Company as head of Internal Audit and as Head of Finance and Administration; a position he held until January 2018. He also worked for Civicon Limited, a leading construction Company as the Chief Accountant. Mr. Ndung’u is a Certified Public Accountant of Kenya, a member of the Institute of Certified Public Accountants (ICPAK), a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK).</p>

<p>3.</p>	<p>John M. Matiri, General Manager Marketing And Operation</p> 	<p>John M. Matiri holds both a Master's in Business Administration and a Bachelor of Commerce degree from Kenyatta University. He has more than 25 years' experience in the agriculture sector where he started off as an Agricultural Officer and rose to become an Assistant director in the Ministry of Agriculture, Livestock, Fisheries and Irrigation. He later worked in the County Governments of Isiolo and Nyeri as the County Director of Agriculture and as Director of Trade and Investment respectively. He has also served as a part time lecturer in customer care and strategic planning at the Kenya Institute of Administration (KIA) and Kenya School of Government (KSG). Mr. Matiri is a full member of the Chartered Institute of Marketing (CIM), UK; Marketing Society of Kenya (MSK) and Kenya Society of Agricultural Professionals (KESAP), and has won awards for outstanding performances in crop production from F.A.O and Kenya National World Food Committee.</p>
<p>4.</p>	<p>John K. Ngetich, Corporation Secretary</p> 	<p>Joined the Board's Legal Department in 1999 after previously working for Hilian Investments (K) Limited. A Qualified advocate, he holds a Bachelor of Laws and BA (Political Science) degrees as well as a Post-graduate Diploma in Law. He is responsible for overall overseeing and undertaking all legal aspects of the Board's Business and secretarial services.</p>

5.	<p>Evans S. Wasike, Head HR and Administration</p> 	<p>Mr. Wasike holds a Bachelor’s degree in Human Resource Management from Kenyatta University, Higher Diploma in HRM (KNEC) and a diploma in Labour Studies from Kenya Polytechnic. He is a member of Institute of Human Resource Management (K). He has over 20 years’ experience in human resource practice and having worked in various capacities in Human resources and corporate affairs departments.</p>
6.	<p>Nelson Waswa Sawenja, Head of Procurement Services</p> 	<p>Mr. Sawenja holds a Master of Science Degree in Procurement, specializing in Purchasing and Supplies from University of Glamorgan-UK and a Graduate Diploma from Chartered Institute of Purchasing and Supplies (CIPS) -UK. He is a Member of CIPS (MCIPS) and Kenya Institute of Management (KIM). He has over 14 years’ experience in procurement. Before joining the Board he worked at the UN where he has held several positions with different UN Agencies both locally and internationally.</p>
7.	<p>Ambrose Njoroge Mutua, Head of Internal Audit</p> 	<p>Mr. Ambrose Njoroge holds a Bachelor of Commerce Degree in Finance from the University of Nairobi and a CPA (K). He joined the Board in 2007 as a management trainee and rose through the ranks. Prior to his appointment to the current position, Njoroge was the senior internal auditor. He also served as the NCPB regional Auditor in charge of the South Rift Region.</p>

8.	<p>Jones M. Kanyaa, Head of Warehousing & Hub Management</p> 	<p>Mr. Kanyaa holds a Bachelor of Science degree in Food Science and Technology from the University of Nairobi and a Certificate in Sustainable Agriculture in An Environmental Perspective from Svalof Weibull AB Sweden (SCIDA). He has attended many courses in Management and is member of the Kenya Institute of Food Science and Technology. He has more than 20 years' experience working for the Board where he joined as a management trainee and rose to be the Assistant Operations Manager before his current position. He worked as a Government Analyst at the Government Chemist Department before joining the Board.</p>
9.	<p>Tito Keino, Head of ICT</p> 	<p>He has worked in the board for over 25 years with vast experience in ICT and Financial Management and currently responsible for championing continuous optimization of the Board's operations and ensuring innovations and renewals of core processes as well as continuous availability of board's systems, networks, databases, and data security systems to guarantee reliability and optimum support of board's operations in line with the corporate strategic objectives. Holds a Bachelor of Commerce Degree (Management Information Systems) from the University of Nairobi and a Diploma in Computer Science (KNEC) he is also Certified (Sophos) engineer and has attended various courses on Information Security Management Systems.</p>

IV. Chairman's Statement

Overview of Economic Review

Kenya's economy was adversely affected by the impact of the war in Ukraine which is weighing on the global economic recovery from the COVID-19 pandemic. Domestically, a key risk to the outlook is the further worsening of the drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance. The economy is vulnerable to the commodity price shocks resulting from the war, particularly through fuel, fertilizer, wheat and other food imports. On the upside, measures by the Central Bank of Kenya (CBK) that maintained an accommodative monetary policy stance at 7.00 per cent throughout 2021 that cushioned the economy and helped bolster recovery.

Kenya's Real Gross Domestic Product (GDP) was estimated to have grown by 7.5% in 2021 after 0.3% contraction in 2020. Growth was driven by services on the supply side and by private consumption on the demand side, both benefiting from supportive policies and eased COVID-19 restrictions. Growth is projected to decelerate to 5.9% in 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors.

In the review period, monetary policy was premised on the need to accelerate economic recovery after a slowdown witnessed in most of the economic activities in 2020. Overall liquidity and broad money grew by 9.48 per cent and 6.1 per cent, respectively in 2021.

World Bank Country Director stated that Kenya's economy has been resilient. However, the multiple recent shocks show the urgency of improving social protection mechanisms to cushion the most vulnerable households. In addition to aligning the country's long-term development agenda to Vision 2030, the government has continued to promote the "Big Four" development priority areas i.e. manufacturing, universal healthcare, affordable housing and food security.

Agriculture Subsector Review

Growth in the agriculture sector decelerated from 5.2 per cent recorded in 2020 to negative 0.1 per cent in 2021. This was occasioned by unfavourable weather conditions in various parts of the country, which resulted in reduced crop and livestock production. Consequently, maize production decreased from 42.1 million bags in 2020 to 36.7 million bags in 2021. Coffee production declined by 6.0 per cent to 34.5 thousand tonnes. This was attributed to increased cost of farm inputs, leaf rust infestation, and the shift in land use from coffee farming to real estate. Tea production declined by 5.6 per cent in 2020 to 537.8 thousand tonnes in 2021. The volume of sugar cane deliveries increased from 6.8 million tonnes in 2020 to 7.8 million

tonnes in 2021. This was largely attributed to improved cane availability in most of the sugar zones. The volume of marketed milk increased by 17.2 per cent to 801.9 million litres in 2021, while the volume of horticultural exports increased by 29.3 per cent to 405.5 thousand tonnes in 2021. Agriculture remains a major driver of growth for the Kenyan economy and is the dominant source of employment. The USAID Overview notes that the agriculture sector contributes approximately 33% of Gross Domestic Product (GDP) and employs more than 40 percent of the total population and 70 percent of the rural population.

Financial Highlights

During the period, NCPB posted a net loss from its core operations amounting to **Kshs. 2.24** billion as compared to a loss of **Kshs. 3.12** billion posted in 2020/2021 FY.

Key Activities

Maize Situation

Estimated production of maize decreased by 12.8 per cent from 42.1 million bags in 2020 to 36.7 million bags in 2021. The decrease is mainly attributable to unfavourable weather conditions during the short rains of 2021.

Fertilizers Distribution

During the year NCPB did not purchase its own fertilizer due to liquidity constraints associated with non-settlement of PIFs loans owed to KCB bank for NCPB Subsidy Component. However, during the year under review, the government paid/liquidated some of its debts for maize subsidy program which eased the operations of the Board. NCPB continued handling assorted fertilizers on agency basis with various suppliers.

Wheat Handling

NCPB participated in the wheat subsector by offering storage and cleaning facilities to millers as well as farmers.

Strategic Focus

The vital role played by NCPB in ensuring national food security and general stabilization in supply is underscored during times of shortage or surplus when it becomes necessary to release maize to the market to protect the consumer or mop up surplus grain to cushion eminent exploitation of the farmers. More importantly, distribution of fertilizers ensures access to quality inputs across the entire country with the aim of boosting production for National Food self-sufficiency.

• *National Cereals and Produce Board*
Annual Report and Financial Statements for the year ended June 30, 2022

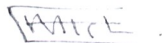
To effectively deliver on the Food Security mandate (Big 4) Agenda NCPB has positioned itself as follows:-

- a) Re-engineering the business process to appropriately respond to the dynamic business environment.
- b) Embracing reforms under Agriculture Sector Transformation and Growth Strategy (ASTGS) and Vision 2030.
- c) Diversifying commercial activities to trade not only in traditional grains like maize but also in cereals such as beans, green grams, rice, sorghum, millet and other foods like powder milk, canned beef and fish. This will boost food production in various parts of the country and enhance national food security.
- d) Partnership with fertilizer, seed and other Agricultural farm input manufacturers to avail products to farmers. We are doing this on agency basis. The affordable farm inputs will no doubt boost food production.
- e) Laying final touches on implementation of WRS. Five sites have been certified by WRS Council. This is a system which will enable farmers to use their grains as collateral and sell when prices are favourable.
- f) Setting up Commercial Agricultural Hubs which are one-stop shops for farmers to obtain inputs, services & information.

NCPB has gone through reforms since 2018 to curb the crisis following severe purge occasioned by irregular purchase of SFR Stocks. The Cabinet directed NCPB to undergo further reforms which the BOD embraced fully. The reforms entailed establishment of two (2) distinct divisions namely:-

- a) NCPB Trading Division (NTD) which will be commercial arm of the NCPB and
- b) The National Food Reserve (NFR) division which will deal with procurement and management of National Food Reserve kitty (formerly handled by the defunct SFR). Under NFR, there will be the Food Balance Sheet Committee (FBSC) which will oversight the NFR. The Balance Sheet Committee will advise on food situation in the country.

To conform to liberalised regime, the NCPB Act Cap 338 is being reviewed to reflect the Boards current mandate and give legal backing to the new NCPB structure and attendant functions.



Mutca Iringo, CBS

CHAIRMAN

V. Report of the Managing Director

NCPB management continuously scans the operating environment so as to institute and adapt appropriately to emergent factors. During the year under review, the management organized retreats that reviewed various activities that included the role of NCPB under the Government Big 4 Agenda, specifically under Food Security, revamping revenue generation, as well as cost reduction initiatives. Continuous review of set short-term, medium-term and long-term goals to ensure turnaround to profitability, self-sustainability and support to government agenda on Food Security, attainment of Vision 2030 expectations as well as goals and strategies set out in the NCPB Strategic Plan 2019/2020-2022/2023.

To position NCPB strategically, appropriate policies and strategies will continue to be put in place so as to harness the gains made towards attainment of profitability and consistently provide adequate and affordable food and farm inputs to Kenyans. Internally, there has been an emphasis to embrace the NCPB-Now principle of teamwork and ownership as well as the Know Your Customer (KYC) Initiative.

Operations

The Government of Kenya (GOK) is dedicated to transforming Kenya into a newly industrializing, middle-income country by 2030. The GOK's 2030 Vision notes that expanding the agriculture sector is key to Kenya's transformation, and empowering women and attracting the growing youth population are essential to increasing productivity in rural areas.

NCPB and the Eastern Africa Grain Council (EAGC) signed a memorandum of understanding to support the implementation of the East African Community (EAC) staple foods quality standards and the management of Aflatoxin for efficient and effective grain trade in the country.

During the year under review NCPB purchased local maize for its commercial function worth Kshs 188 Million. This has helped slightly alleviate NCPB which faces serious challenges in its turnaround strategies posting losses from its operations amounting to Kshs. 2.24 billion as

compared to a loss of Kshs. 3.12 billion posted in 2020/2021 FY. The gross sales turnover increased drastically from 736 million in 2020/2021 FY to Kshs 4.04 billion in 2021/2022 FY due to participation by the Board in maize and fertilizer businesses. The loss is attributed by failure of GOK to fully pay the subsidy component on time. This made NCPB fail to repay the PIFs on maturity and thereby incurring huge finance costs.

However, accumulation of huge debts by the Government amounting to Kshs.10.6 billion is adversely affecting operations of the Board. This coupled with weak working capital meant that NCPB had to heavily rely on expensive commercial bank borrowings despite the inherent risk of interest. As at the close of the year NCPB had bank obligations amounting to Kshs. 5.01 billion and Kshs. 0.516 billion due to farmers.

All through these challenging times, the Board remained resilient by maintaining a disciplined focus on turnaround strategy. Management strengthened the strategic intent on controlling cost, enhancement of capacity utilization and focused on development of value addition capacity.

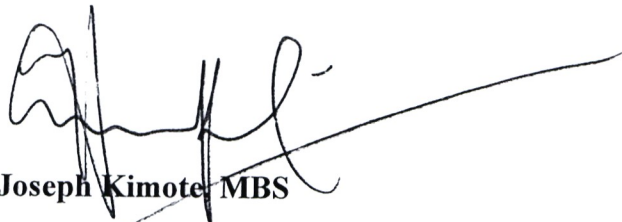
More importantly, NCPB continued to develop linkages with other Institutions to address emergent challenges, one being the MOALF that has been pivotal in resolving historical agency tax arrears, old outstanding debts, as well as constraint in the purchase of local maize as well as subsidised fertilizers distribution.

During the year NCPB received Kshs. 3.48 billion from GOK of which 33 million was used to pay farmers for maize deliveries in 2017/2018 and the rest for Board's agency fees. By the close of the year, NCPB was still awaiting release of Kshs. 0.516 billion to clear the outstanding debt to farmers for 2017/2018 FY maize deliveries.

On social interventions, NCPB distributed food stuffs and other donations to various communities across the country.

ISO TRANSITION

The Board was certified in 2015 and was due for re-certification as well as transitioning to ISO 9001:2015 standards in 2018 but the process was delayed due to financial constraints. The process was re embarked on and the Board was then certified on 15th July 2021 under ISO 900:2015 Standard. It is expected that the level of business performance and organizational culture will evolve to align with the expectations of the ISO standard. Implementation of this standard means that the organization will be able to identify risks and opportunities thus will be able to develop action plans to address them. The Board hopes to reap from this new perspective as it provides an opportunity to reduce risks associated with carrying out its mandate and improve service delivery leading to greater customer satisfaction and achievement of the organization's quality objectives.



Joseph Kimote MBS

MANAGING DIRECTOR

VI. Statement of Performance against Predetermined Objectives for FY 2021-2022

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

NCPB has *Seven (7)* Strategic Pillars and objectives within the current Strategic Plan for FY 2020/21- FY 2022/23. These strategic pillars are as follows:

Pillar 1: Financial Sustainability

Pillar 2: Commercial Trading

Pillar 3: Trade, Branding, and Customer Relations

Pillar 4: Business Collaborations and Networks

Pillar 5: Human Capital Capacity

Pillar 6: Physical Infrastructure

Pillar 7: ICT and Innovation

NCPB develops its annual work plans based on the above *Seven (7)* pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The NCPB achieved its performance targets set for the FY 2021-2022 period for its *Seven (7)* strategic pillars, as indicated in the Table below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Financial Sustainability	To attain financial sustainability by increasing revenue, optimizing costs, and aggressive debt collection	<ul style="list-style-type: none"> Profitable business ventures Low finance cost Steady cash flow	<ul style="list-style-type: none"> Develop specific line Business Plans Negotiate for competitive credit facilities Provide budget line for business incubation unit	88.90% All Business lines are funded through the approved annual Budget. Term sheets negotiated and agreed with KCB and Cooperative Bank
Pillar 2: Commercial Trading	To create competitive and sustainable trading	<ul style="list-style-type: none"> Brand recognition Growth in Market Share Efficiently working WRS 	<ul style="list-style-type: none"> Undertake marketing research Implement the outcomes of the marketing research 	82.24% Market research and implementation of the findings is done continuously. 44 Warehouses and 39 silo bins licensed by

			Ensure registration & certification of warehouses		AFA making a total of 83 licensed Warehouses. Among them Meru, Kitale, Nakuru and Eldoret.
Pillar 3: Trade, Branding, and Customer Relations	To improve corporate image and promote public trust	<ul style="list-style-type: none"> • Branding of staff and items • Positive Media coverage High customer satisfaction index	<ul style="list-style-type: none"> • Branding of items • Constantly responding to media queries and occasional media briefings • Sensitisation and training on Customer Relations Management, and Public/Customer Complaints Resolutions 	90.38%	The positive media coverage of the Board was driven by constant response to the queries, commitment to resolution of public complaints and customer centric service delivery.
Pillar 4: Business Collaborations and Networks	To establish and strengthen viable business collaborations and networks	<ul style="list-style-type: none"> • Commercial Trading Policy Document Stakeholder analysis report 	<ul style="list-style-type: none"> • Formulate the commercial trading policy and Partnership Guidelines. Undertake stakeholder analysis. 	96.67%	Partners engaged in Business collaborations under clear guidelines and understanding of the needs.
Pillar 5: Human Capital Capacity	To attract and retain quality human capital to improve organizational performance	<ul style="list-style-type: none"> • Optimal Staffing Levels Motivated Staff	<ul style="list-style-type: none"> • Undertake continuous recruitment. Improve Staff Benefits 	91.00%	The Board was granted approval by the Ministry of Agriculture, Livestock, Fisheries & Cooperatives to undertake external recruitments The Board continued providing medical cover (Both inpatient and outpatient) to all the employees).
Pillar 6: Physical Infrastructure	To improve the physical infrastructure	Compliance with storage standards: - AFA -WRC Compliance with OHSA	Upgrade compound (driveways/waiting bays/parking lots, drainage, etc).	69.00%	Head office and GCP re-carpeting and driveways rehabilitations were completely done. Work in progress in other identified sites:

					Lunganga, Thika, Kisumu
Pillar 7: Innovations and ICT	To leverage on ICT to deliver quality service	<ul style="list-style-type: none"> Seamless communication and data transmission Reduced malicious Network penetration (Cybercrime) 	<ul style="list-style-type: none"> Expand LAN and WAN with IP Telephony Network Network and Communication security.	91.60%	LAN and WAN connectivity were planned to be done at Head Office and 10 Depots. By the end of 2021/22FY Contract was signed and Work started in Head Office

How NCPB has tied Strategic Plan achievements to performance contracts

The Performance contract targets are majorly derived from the Strategic Plan targets as tabulated below:

Strategic Plan Pillar	Performance Contract Indicator
Pillar 1: Financial Sustainability	Form 1A: Financial Stewardship and Discipline
Pillar 2: Commercial Trading	Form 3A: Core Mandate
Pillar 3: Trade, Branding, and Customer Relations	Form 2A: Service Delivery
Pillar 4: Business Collaborations and Networks	
Pillar 5: Human Capital Capacity	Form 7A: Cross-Cutting Issues
Pillar 6: Physical Infrastructure	
Pillar 7: ICT and Innovations	

VII. Corporate Governance Statement

Corporate Governance is the system through which corporations are directed, controlled and operated as power is exercised over its assets and resources. National Cereals and Produce Board (herein after referred to as NCPB) considers corporate governance to be a critical issue towards maintenance of business integrity and stakeholders' trust and is therefore an integral part of our operations philosophy. Our corporate governance values are founded on the *Mwongozo* the code of governance for state corporations. The Board is responsible for NCPB's corporate governance practices and as in place mechanisms to ensure observance and report on its compliance status on a regular basis.

Our high standards of corporate governance are not an exercise in compliance, but a means of driving the performance of the business and operations whilst managing and mitigating risk.

Board Composition

The NCPB is managed by the Board of Directors appointed by the President as provided by the NCPB Act cap 338. The Board consists of eleven directors who are non-executive except for the Managing Director who is executive. Notably, the Board is composed of directors with a diverse mix of skills, experience and competencies in the relevant fields of expertise and is well placed to take the organization forward. The Board Secretary is responsible for monitoring and coordinating the Board's agenda and papers.

Appointments and Induction to the Board

Directors are appointed in accordance with the NCPB Act Cap 338. On appointment, directors receive an induction covering the NCPB. As part of this process, the NCPB organizes for regular training on corporate governance as per the calendar of SACC. Directors are advised on the legal, regulatory and other obligations of a director of a state corporation and updated on industry and regulatory developments as they take place. All directors also have access to the Board Secretary, who is responsible for ensuring that the Board's procedures are followed and that applicable laws and regulations are complied with.

Board's Responsibilities

The Board of directors is responsible for providing policies and leadership to NCPB. The Board's duties and responsibilities include: -

- Setting policy guidelines for management and ensuring competent management of the business including the selection, supervision and remuneration of Senior Management;
- Ensuring that the business of NCPB is conducted in compliance with relevant laws and regulations; and
- Monitoring performance.

Board and Strategy Meetings

An annual plan of scheduled Board meetings is prepared each year in advance and provided to all directors. The full Board meets at least four times a year (quarterly basis) and special meetings may be convened when need arises. Guidelines are in place concerning the content, presentation and delivery of Board Papers for each Board meeting to ensure that directors have adequate information and sufficient time for appropriate briefing ahead of each meeting. The Board is in charge of overall strategic direction and approved business plans which form the basis of performance assessment.

Board Chairman and Managing Director

The roles and responsibilities for the Chairman of the Board and the Managing Director are distinct and separate. The chairman provides overall leadership to the Board in line with principles of collective responsibility for Board decisions. The Managing Director is responsible to the Board and takes charge of executive management in the course of effective and efficient running of the NCPB on a day-to-day basis.

The Board has delegated to the Managing Director authority to implement Board decisions with assistance from Management team.

Board performance Evaluation

The Board is responsible for ensuring that an evaluation of its performance and that of its committees and individual directors is carried out each year. This involves a self-review of the Board's capacity, functionality and effectiveness of performance against its set objectives. Evaluation enables directors to suggest how Board procedures may be improved by assessing strengths and weaknesses and addressing its balance of skills, knowledge and experience. This is done by way of both the peer and self-evaluations under the guidance from SACCC who are the custodian of the tool.

Director's Remuneration

The Government guidelines on remuneration of the directors provide the payable amount. The Directors are not eligible for pension scheme membership or dividends.

Internal Control and Audit

The Board has collective responsibility for establishment and management of appropriate systems of internal control and for reviewing their effectiveness. The system of internal control in place has defined procedures with operational and financial controls to ensure that assets are safeguarded, financial transactions authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time.

The Board reviews effectiveness of internal control systems in place by considering results of work carried out to audit and review NCPB by both internal and external audit providers. Internal audit is carried out by an independent Internal Audit Department that reports to the Board Audit Committee and provides confirmation that the NCPB operations, policies and procedures as set by the Board are being complied with. The Board has reviewed the NCPB system of internal control and is satisfied that the system is effective. However, the Board recognizes that any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk Management and Compliance

The Board of Directors has overall responsibility for the establishment and oversight of NCPB's management framework. The Board's audit Committee is responsible for developing and monitoring NCPB risk management policies established to identify and analyse the risks faced by the NCPB to set appropriate risk limits and controls, and to monitor risks and adherence to limits. NCPB through its training and management standards and procedures aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board has also set up Risks Compliance Department that evaluates the NCPB's compliance framework, identifies and monitors relevant legislation applicable and ensures adherence to NCPB's policies as well as legislative and regulatory requirements including changes arising and their impact.

Conflicts of Interest

The Board's policy provides that Directors, their immediate families and companies in which directors have interests only do business with NCPB at arm's length. Where a matter concerning NCPB may result in a conflict of interest, the director is obliged to declare the same and exclude themselves from any discussion or vote over the matter in question. Directors also have a duty to avoid situations of appointment to positions or acquisition of significant interest in businesses competing with NCPB. Business transactions with directors and related parties are disclosed in notes to the financial statements.

Board Sub-committees

To enhance the breadth and depth of achieving Board responsibilities, the Board has delegated authority to various sub-committees although the Board retains ultimate collective accountability for performance and corporate governance. Committees of the Board are as follows:

- 1 Finance and Procurement Oversight
- 2 Audit Committee
- 3 Operations, Business Development & Strategic Planning
- 4 Human Resource & Legal Affairs

These committees have formally determined terms of reference with defined scope of authority, set by the Board of Directors which are from time to time refreshed to synchronize them with new developments and government guidelines.

Finance and Procurement oversight Committee

The Membership of the committee comprises of at least four directors and the Managing Director, currently constituted as hereunder: -

- | | |
|--------------------------|---------------------------------|
| • Amb. David M. Mutui | Chairperson |
| • Mr. Joseph Kimote, MBS | Managing Director |
| • Ms. Eunice Karanja | Member |
| • Dr. Stephen Ikikii | Member |
| • Mr. John K. Ngetich | Secretary (Corporate secretary) |

The committee meets at least every quarter. The objective of the committee is to assist the Board of Directors in reviewing the financial statements and overseeing the procurement of NCPB. The committee is responsible to review the quarterly financial statements and the performance contract implementation. Also oversee the implementation of the approved procurement plan for the financial year.

Audit and Risk Committee

The committee comprises at least five non-executive directors, the majority of whom shall be independent non-executive directors, currently constituted as hereunder: -

- Ms. Jane Waroga Chairperson
- Mr. James Ndungu Mureu Member
- Dr. Stephen Ikikii Member
- Mr. Peter Owoko Member (Rep. MOALF&C)
- Mr. Ambrose Njoroge Secretary (Internal Audit Manager)

The committee meets every quarter with internal auditors without management being present and may attend on invitation. Meetings are normally attended by resources from Departments of Internal Audit and Risk Management & Compliance.

The objective of this Committee is to provide independent oversight of NCPB's financial reporting and internal control system, ensure checks and balances within the NCPB are in place and recommend appropriate remedial action regularly and ensures quality integrity and reliability of the Bank's and its subsidiaries risk management. It also assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting.

The terms of reference of Committee are achieved through review and evaluation of the financial status of the NCPB, review of internal controls, consider performance and findings of internal auditors and recommend appropriate remedial action, review management reports and reports from external auditors concerning deviations and weaknesses in accounting and operational controls, coordinate between the internal audit function and external auditors, monitor the ethical conduct of the institution and consider the development of ethical standards and requirements, including effectiveness of procedures for handling and reporting complaints, review any related party transactions that may arise within the industry set out the nature, role, responsibility and authority

of the risk management and independent compliance functions in NCPB and outline the scope of risk management work, monitor external developments relating to the Practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impact, provide independent and objective oversight and review of the information presented by the management.

Operations, Business Development & Strategic Planning Committee

The Membership of the committee comprises of at least four directors and the Managing Director, currently constituted as hereunder: -

- Mr. James Ndungu Mureu Chairperson
- Mr. Joseph Kimote, MBS Managing Director
- Amb. David M. Mutui Member
- Mr. Philip Tarus Member (Rep. Devolution & ASAL's)
- Mr. Peter Owoko Member (Rep. MOALF&C)
- Mr. John K. Ngetich Secretary (Corporate secretary)

The committee meets at least every quarter. The objective of the committee is to assist the Board of Directors in reviewing the operations, business development and strategic planning of NCPB. The committee is responsible to review the quarterly operations, business strategies, research & planning and implementation of the strategic plan.

Human Resource and Legal Affairs Committee

The Membership of the committee comprises of at least four directors and the Managing Director, currently constituted as hereunder: -

- Mr. David Kamiti Kasirimo Chairperson
- Mr. Joseph Kimote, MBS Managing Director
- Ms. Jane Waroga Member
- Ms. Eunice Karanja Member
- Mr. Philip Tarus Member (Rep. Devolution & ASAL's)
- Mr. John K. Ngetich Secretary (Corporate secretary)

The committee meets at least every quarter. The objective of the committee is to assist the Board of Directors in policy framework relating to NCPB Human Resources and Legal Affairs, including policies on the hiring, firing, remuneration package promotions, medical, staff loans, and all other matters as spelt out in the staff policy manual, training and staff development, staff welfare, code of conduct and performance index.

Similarly, it is tasked with the responsibility of overseeing the legal department and receiving reports on the status of all legal matters including ongoing court case matters.

Directors' Attendance 2021/2022 FY

No	Names	Designation	Full Board	Sub-Committees			
				Finance & Procurement Oversight)	Operations, business Development & Strategic Planning	Human Resource & Legal affairs	Audit
1.	Mr. Mutea Iringo	Chairman	5	0	0	0	0
2.	Mr. Joseph Kimote	Member	6	5	4	4	0
3.	Amb. David M. Mutui	Member	6	5	4	0	0
4.	Mr. Peter Owoko	Member	6	1	4	0	2
5.	Mr. Isaac Omondi	Rep. (Inspectorate)	3	0	0	0	0
6.	Dr. David Kasirimo	Member	2	2	0	2	0
7.	Ms. Eunice Karanja	Member	4	3	0	2	0
8.	Mr. Philip Tarus	Rep. (MOD & ASAL's)	5	0	4	4	1
9.	Mr. Stephen Ikikii	Rep. (Treasury)	6	4	0	0	4
10.	Mr. James Mungai	Rep. (Treasury)	0	0	0	0	0
11.	Mr. James Mureu	Member	4	0	4	0	4
12.	Ms. Jane Waroga	Member	5	0	0	4	4

VIII. Management Discussion and Analysis

1. Establishment of the Commodity Exchange / Warehouse Receipt System

Establishment of WRS and COMEX is expected to revolutionize the grain trading in the country. This will enable farmers to deposit their produce during times of harvest and sell when prices improve. The advantage is that, the system will curtail exploitative tendencies exhibited by middlemen and ease food supply throughout the year.

This will also address the need for Government led price intervention commodity market towards economic based markets.

The progress is as follows;

- (i) NCPB is participating in the Warehouse Receipt System (WRS) as a warehouse operator and has competitively leased some of its stores to facilitate others to operate their own warehouses under WRS. In addition, the Board is operating agricultural hub centers in selected depots. Hub centers are one-stop-shops which coordinate a network of value chains to strengthen input and services delivery and enhance market access to farmers.
- (ii) The Ministry of industry, Trade and Cooperatives is still seeking consultancy services to support the establishment of a Commodities Exchange. The consultant is expected to provide technical assistance in establishing and operationalizing a commodities exchange in Kenya.

In order to operationalize the WRS, NCPB has already ensured five storage facilities country-wide have been certified by WRS Council which shall be used for Warehouse Receipting.

2. e-Commerce

The modern trade transactions are now becoming more sophisticated with adoption of ICT and mobile technologies. NCPB has embraced e-commerce not only through automation of its ICT platform that is capable of linking all the 110 depots countrywide on on-line basis but also embraced mobile money and electronic transfers as mode of settlement for commodity purchases and payment to farmers for deliveries as well as other suppliers.

To enhance controls in the identification of farmers benefiting from subsidized fertilizers, NCPB in conjunction with MOALF and Safaricom Ltd implemented an e-subsidy platform. The platform contains a farmers' register with the details on identification, acreage, fertilizer requirements as well as option of paying through Mpesa.

3. Devolution of Agriculture

The adoption of 47 devolved units in 2013, upon promulgation of the new constitution, led to the devolution of agriculture sector. NCPB as a national entity has depots in 46 counties with one county being served through primary marketing centers.

This approach requires NCPB to work in collaboration with county governments in the process of farmers' registration, vetting subsidized fertilizers beneficially and identification of families and institution for food supply during times of supply constraint.

CHALLENGES AND OPPORTUNITIES

The challenges that NCPB is facing are both historic financial and operational and which include the following: -

Low working Capital

NCPB's working capital was eroded to extremely low levels as a result of Government limitations in meeting working capital injection obligation to NCPB and losses incurred in carrying out Government initiated market stabilisation programmes.

From previous years' GoK social intervention programmes implemented by the Board, NCPB is owed Kshs.3.8 billion. This has led to over- reliance on expensive bank overdraft and loans that servicing of interest is a major drain on meagre resources

In order to address the challenges facing the Board and turn it round to profitability, the Government of Kenya through the Ministry of Agriculture commenced restructuring of the Board by commissioning Ernst and Young as the consultants on 13th May 2013.

Update on Restructuring

NCPB has gone through reforms since 2018. The Cabinet directed NCPB to undergo further reforms which the BOD embraced fully. The reforms entailed establishment of two (2) distinct divisions namely:-

- a) NCPB Trading Division (NTD) which will be commercial arm of the NCPB and
- b) The National Food Reserve (NFR) division which will deal with procurement and management of National Food Reserve kitty (formerly handled by the defunct SFR). Under NFR, there will be the Food Balance Sheet Committee (FBSC) which will oversight the NFR. The Balance Sheet Committee will advise on food situation in the country.

To conform to liberalised regime, the NCPB Act Cap 338 is being reviewed to reflect the Boards current mandate and give legal backing to the new NCPB structure and attendant functions.

Aging physical infrastructure

Most of the storage facilities are old and some grain handling technology being used is fast becoming obsolete having been put in place in 1980s and early 1990s. Moreover, some storage facilities were set up in remote areas for food relief operations that do not breakeven under commercial principles. The need to marshal resources to upgrade the facilities and maintain stores that are not economically viable has become a major challenge to NCPB.

NCPB has commenced depot rationalization process that will lead to shedding off of underutilized storage facilities. The process involves categorization of depots based on their business contribution and moth-balling of depots that are not financially viable.

Unpredictable production trends

Arising from over-reliance on rain fed production; the agricultural sector has to contend with unpredictable food production level. This unpredictability results into production glut or deficits that both call for intervention to alleviate suffering by the farming communities or consumers. These demands for deployment of huge resources that overstretched the already depleted NCPB working capital.

The Government effort to refocus on irrigation, early warning systems and restructuring of NCPB is expected to enhance response capacity and predictability of food supply situation

IX.Environmental and Sustainability Reporting

NCPB exists to trading in agricultural produce. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

NCPB seeks to be sustainable by ensuring we engage in profitable business venture with minimal costs ensuring steady cash flow. This is done by operating on a budget and ensuring debt is controlled.

ii) Environmental performance

Our environmental policy guiding the organisation is ensuring clean working spaces, for instance fumigation of stores and daily cleaning of offices. This has helped curb pests and diseases in whatever is stored in the facilities.

iii) Employee welfare

The Employment Act along with the NCPB Human Resource Policies and Procedures Manual guide the hiring process. There is no regard given to factors that may lead to alienation unless they are done in pursuit of attaining national values and principles of governance as enshrined in the Constitution of Kenya 2010. Training and development efforts are made in improving skills and managing careers. Appraisal is done twice each year to assess performance of each employee and a reward system utilized to recognize good performance.

The policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) is recognised and the management makes reasonable effort in areas of environmental preservation, hazard identification, removal and control, health preservation and injury protection in the course of its activities.

iv) Market place practices-

The outline of efforts made by NCPB in market place practices are:

a) Responsible competition practice.

NCPB ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors by undertaking weekly market surveys on products and services so that our practices are within the market range.

b) Responsible supply chain and supplier relations

NCPB maintains good business practices by holding adhering to the procurement policies and procedures. We suppliers responsibly by honouring contracts and respecting payment practices. This is by holding meetings for monitoring and evaluation in order to make payments accordingly.

c) Responsible marketing and advertisement

Efforts to maintain ethical marketing practices are achieved by compliance with ASC-CAP Code of Advertising Practice & Direct Marketing and NEMA – Regulations (The Kenya Gazette Notice Vol CXIX-No. 31) and Public Procurement and Disposal Act 2015.

d) Product stewardship

Efforts to safeguard consumer rights and interests include adherence to KEBS and registration of our Nafaka Brand Copyright.

Corporate Social Responsibility / Community Engagements

National Cereals and Produce Board has incorporated Corporate Social Responsibility (CSR) as an integral part its operations. The Board’s CSR is anchored on a well-defined CSR policy. The following are CSR activities the Board was involved in. The Board’s CSR initiatives are centered around wellness, environmental conservation, and community assistance; with emphasis on those economically vulnerable, education and sports and talent development.

Guided by the above, the following are initiatives the Board sponsored or was involved in:



Cabinet Secretary in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives Mr. Peter Munya commissions an NCPB sponsored community Borehole in Michimikuru Meru.



Food Donations to Tamani Children’s Home in Imara Daima in May, 2022.



NCPB Coast Region CSR Donation to Kwale Muslim Development Initiative (KMDI) for the annual Muslims Convention IJTIMAI and youth Conference.

X. 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 NCPB's affairs.

i) Principal activities

The Board's principal activity is grain handling and marketing with provision of allied services and facilities as well as distribution of farm inputs. This is in addition to undertaking social functions on behalf of the Government of Kenya on Agency basis that relates to the procurement, storage, quality maintenance, and distribution/sale of famine relief food commodities as well as SGR stock.

ii) Results

The operating results for the year ended 30th June 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

	2022	2021
	Kshs	Kshs
Operating profit before Depreciation & Provisions	(1,042,826,162)	(2,076,746,127)
Less:		
Depreciation	1,006,548,269	1,002,382,851
Amortization	2,941,540	1,166,094
Bad and doubtful debts	<u>175,540,987</u>	<u>48,493,711</u>
	<u>1,185,030,796</u>	<u>1,052,042,656</u>
Net Profit	<u>(2,227,856,958)</u>	<u>(3,128,788,783)</u>

iii) Directors

The members of the Board of Directors who served during the year are shown on page iv. The Board members are appointed by the Cabinet Secretary in charge of Agriculture in accordance to the NCPB Act CAP 338 of the laws of Kenya.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of NCPB for the year ended June 30, 2022.

By Order of the Board



MR JOHN K NGETICH
CORPORATION SECRETARY
NAIROBI

8TH MARCH 2023

XI. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and National Cereals and Produce Board Act, Cap 338 of the Laws of Kenya require the Directors to prepare financial statements in respect of that NCPB, which give a true and fair view of the state of affairs of the NCPB at the end of the financial year and the operating results of the NCPB for that year. The Directors are also required to ensure that the NCPB keeps proper accounting records which disclose with reasonable accuracy the financial position of the NCPB. The Directors are also responsible for safeguarding the assets of the NCPB.

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

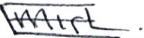
The Directors accept responsibility for the NCPB's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and NCPB Act Cap 338.

The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2022, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

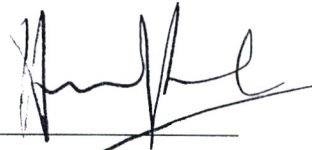
Nothing has come to the attention of the Directors to indicate that the board will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Board's financial statements were approved by the Board on 27/03/ 2023 and signed on its behalf by:



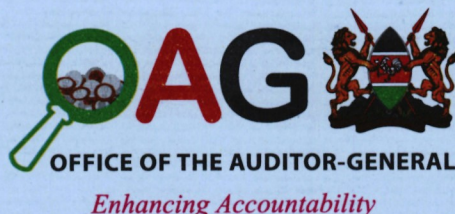
Mutea Iringo, CBS
Chairman



Joseph Kimote, MBS
Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Cereals and Produce Board set out on pages 1 to 69, which comprise of the statement of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, 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 National Cereals and Produce Board as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

1. Property Plant and Equipment

The statement of financial position reflects a balance of Kshs.18,296,564,624 (2021-Kshs.19,139,275,369) in respect of property, plant and equipment which includes leasehold land balance of Kshs.5,678,379,935 as disclosed in Note 16 to the financial statements. However, review of records revealed the following unsatisfactory matters :

1.1. Lack of Ownership Documents on Land

As previously reported, the leasehold land includes thirty-four (34) parcels that do not have title deeds. In addition, the leases for three (3) plots in Kericho had not been renewed thus making a total of thirty-seven (37) properties valued at Kshs.581,364,000 whose title documents were not in the custody of the Board. In addition, the following matters were observed:

- (i) The document of title for the land on which the Nakuru Cyprus Bins are located, was not provided for audit. Although Management explained that the surveyors had established that the title had been issued at the Land's Registry, the same was not in the custody of the Board.
- (ii) Further, although the Board has title deeds for five parcels of land in Kisii County, which have been fenced and marked with the NCPB signpost, there was encroachment on all the parcels of land.
- (iii) In Kericho, there was encroachment on one of the parcels of land and a temporary structure constructed by a school. Another parcel along Kericho-Kisumu highway has also been encroached by Kenya National Highways Authority (KENHA) as well as one of the neighbors whose perimeter wall illegally extended into the Board's compound.
- (iv) The Board's land in Sagana Town indicated that the land had been fenced but there was encroachment on one section of the land whereby commercial and residential houses have been constructed. However, there was no sign post to show that the land belongs to the Board.
- (v) In addition, it was observed that there is a restraining order on a parcel of land in Narok that was issued by the High Court in 2013. Although the Board was allocated

20 acres of this land, it was not possible to physically identify the portion that belongs to the Board.

- (vi) Moreover, the Board's parcel of land of area 0.500ha, situated in Kapsabet Town and with a certificate of lease for 99 years starting from 1 July, 1986, has been encroached and developed with a permanent commercial structure by a developer who claims ownership of the land. The management reported that they are following up the matter with the National Land Commission although the details of the correspondences were not provided for audit review.

1.2. Unsupported Revaluation Adjustment

Although the statement of financial position reflects a balance of Kshs.18,296,564,624 in respect of property, plant and equipment, a summary of the assets' revaluation report provided for audit indicated a revaluation amount of Kshs.19,523,400,000. However, the revaluation amount is not reflected in the Note 16, property, plant and equipment fixed assets schedule.

In the circumstances, the accuracy, completeness, and ownership of property, plant and equipment balance of Kshs.18,296,564,624 as at 30 June, 2022 could not be confirmed.

2. Failure to Pay Bank Overdraft

As previously reported, the statement of financial position reflects a bank overdraft balance of Kshs.5,005,248,365 which represents a decrease by 25.6% from prior year's balance of Kshs.6,729,563,152. The bank overdraft relates to Government Fertilizer Subsidy Programme that was being implemented by the Board on behalf of Ministry of Agriculture. The decrease in the overdraft was attributed to the Board obtaining concurrence from the National Treasury to use the proceeds from the sale of fertilizer amounting to Kshs.2,657,852,918 to offset the overdraft. Despite the efforts made, the Board has since failed to pay the remaining balance, defaulting on the temporary agreement to freeze the interests and penalties and, therefore, triggering the bank to continue to charge 12.5% interest and 10% default rate on the outstanding loan.

In the circumstances, the Board continues to incur avoidable default charges and interest on the bank overdraft balance of Kshs.5,005,248,365 as at 30 June, 2022 which may affect its liquidity.

3. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade debtors and prepayments balance of Kshs.6,775,787,416 as disclosed in Note 19 to the financial statements. The balance includes trade receivables amounting to Kshs.1,144,003,219 which further includes debtors totaling Kshs.758,974,328 that had been outstanding for more than eight years. Although a cumulative bad debts provision of Kshs.992,652,883 had been made in the financial statements, it was not possible to confirm if the Board will be able to collect these debts.

Further, the trade and other receivables balance includes a balance of Kshs.118,716,648 in respect to staff debtors that further include an amount of Kshs.88,026,454 that had

been outstanding for more than eight years. Management did not explain how these debts occurred and the steps being taken by the Board to ensure the recovery of the same.

In the circumstances, the accuracy and recoverability of the long outstanding debts totalling Kshs.847,000,782 as at 30 June, 2022 could not be confirmed.

4. Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.8,441,893,908 in respect to trade creditors and other payables and as disclosed in Note 26 to the financial statements. The balance includes trade payables, creditors owing to farmers and staff balances totalling Kshs.1,100,520,349. However, review of the respective creditors ageing analysis revealed that creditors totalling Kshs.823,330,580 representing 75% of the total trade payables had remained unpaid for over four (4) years.

Further, the trade creditors and other payables balance includes a balance of Kshs.412,257,788 in respect to sundry creditors and provisions which further includes a balance of Kshs.100,361,599 relating to County cess which had remained unremitted to the respective counties for more than four (4) years. The liability relates to cess deducted on behalf of the county governments from the payments made to farmers for purchase of maize. It is not clear why Management has not settled these long outstanding trade creditors and other payables.

In the circumstances, the accuracy and validity of the trade creditors and other payables balance of Kshs.8,441,893,908 as at 30 June, 2022 could not be confirmed.

5. Inadequacies with Navision ERP System Ledgers

The statement of financial position reflects intangible assets balance of Kshs.50,350,403 and as disclosed in Note 17 to the financial statements. Review of the expenditure records revealed that the Board procured and fully paid for the Navision ERP System in the financial year 2018/2019 at a cost of Kshs.28,694,307. However, review of ledgers generated from the ERP system revealed that the ledgers did not offer full disclosures and did not provide audit trail. Further, the ledgers lacked important details such as the name of the payee, payment voucher number and details/narrations of individual transactions were not being generated by the system.

In the circumstances, it has not been possible to confirm whether the Board obtained value of money on the Kshs.28,694,307 spent on the Navision ERP System and the accuracy and completeness of the ledgers could not be confirmed as at 30 June, 2022.

6. Going Concern

The statement of financial position that reflects total current assets amounting to Kshs.12,167,510,385 which compared to total current liabilities balance of Kshs.14,411,907,861 results in a negative working capital of Kshs.2,244,397,476.

In the circumstances, the Board may not be able to meet its obligations as and when they fall due thus casting doubt on the Board's ability to continue as a going concern which will depend on credits from the suppliers, lenders and the Government.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Cereals and Produce Board 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.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects approved receipts budget and actual on comparable basis amounting to Kshs.4,239,974,926 and Kshs.1,601,926,141 respectively, resulting to under collection of Kshs.2,638,048,785 (or 62%) of the total revenue budget. Similarly, the Board spent a total of Kshs.3,829,783,099 against an approved expenditure budget of Kshs.4,623,719,108 resulting to an under expenditure of Kshs.793,936,009 or 17% of the budget.

The under collection and underperformance affected the planned activities of the Board and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Creditors due to GoK on Strategic Grain Reserve (SGR) Maize Sales

The statement of financial positions reflects a balance of Kshs.8,441,893,908 in respect to trade and other payables and as disclosed in Note 26 to the financial statements. The balance includes an amount of Kshs.3,787,292,972 in respect to creditors due to the Government on Strategic Grain Reserve maize sales. However, review of the supporting documentation revealed that the liability was long outstanding and no explanation was provided for failure to remit the proceeds from the sale of the maize to the State Department for Crop Development and Agricultural Research.

In the circumstances, failure to remit the proceeds from sale of strategic grain reserve maize amounting to Kshs.3,787,292,972 has led to increase in liabilities.

2. Supply and Delivery of New Standard B – Twill Jute 50 Kgs Bags

The Board advertised through the local dailies, an international tender notice for the supply and delivery of two million (2,000,000) new standard B - Twill Jute bags (50 Kgs) on 27 September, 2019. Following an evaluation of responsive bids, the tender evaluation committee recommended the award of the contract to a contractor at a contract sum of USD 1,700,000 being the lowest evaluated bidder. The Board and the supplier subsequently signed a contract agreement on the 19 February, 2020. However, on 15 October, 2020, the supplier requested for termination of the contract citing Covid 19 Pandemic, cyclone and floods that caused shortage of raw materials and costs escalation. The requests were subsequently granted and approval for the termination of the contract was issued by the Accounting Officer on 16 October, 2020.

Subsequently, the Board re-advertised the tender in the local dailies on 08 February, 2021. Fourteen (14) bids were received including the previous successful bidder whose contract was terminated. Following an evaluation of responsive bids, the tender evaluation committee recommended the award of the contract to supply and deliver two million (2,000,000) jute bags (50 Kgs) to another contractor at a contract sum of USD 2,892,800 being the lowest evaluated bidder. Subsequently, both parties signed a contract agreement on the 20 May, 2021. The delivery period was indicated as within 90 days from the date of receipt of a workable letter of credit and signing of the contract agreement.

Review of procurement documents and the inspection and acceptance committee report revealed that out of the two (2) million ordered quantities of jute bags, eight hundred seventy-five (875) bags were damaged by water and rejected while one thousand (1,000) bags had not been delivered. However, Management has not demonstrated that they are pursuing for compensation or replacements of the damaged and non-delivered gunnies all valued at USD 2,718 (at the rate of USD 1.45 per bag quoted by the supplier).

In the circumstances, the termination of the initial contract led the Board to incur an additional amount of USD 1,192,800 which could have been avoided and therefore, the Board may not have obtained value for money on the new contract.

3. Appointment of Board Members

The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs.2,772,944,658 which includes expenditure of Kshs.12,096,544 in respect to directors emoluments and as disclosed at Note 11 to the financial statements. However, appointment letters for a Director reappointed on 02 May, 2022 and a Director appointed on 28 October, 2021 were not provided for audit review.

In the circumstances, it was not possible to confirm that the Board is legally and properly constituted in accordance with Part II (3) of the National Cereals and Produce Board Act, 2012.

4. Failure to Maintain a Fixed Assets Register

The statement of financial position reflects a balance of Kshs.18,296,564,624 in respect of property, plant and equipment as disclosed in Note 16 to the financial statements. However, Management submitted a fixed asset register for audit review which did not comply with The National Treasury template since it lacked critical information like the location, status and serial numbers of the assets owned by the Board. This is contrary to Paragraph 1 of The National Treasury Circular No. 5/2020 dated 25 February, 2020 that states that all public entities shall prepare a comprehensive assets and liabilities register and prescribes the recommended template.

In the circumstances, Management was in breach of The National Treasury circular.

5. Staff Costs

The statement of profit or loss and other comprehensive income reflects administration costs amount of Kshs.2,772,944,658 which includes staff costs and wages amounting to Kshs.1,027,504,907 , as disclosed in Note 11b to the financial statements.

Review of records revealed the following anomalies:

5.1. Irregular Recruitments

During the year under review, the Board filled various positions through re-designation and recruitment. Information provided indicated that at least five (5) personnel who were engaged were sourced from the data bank available in the human resource office. However, details pertaining to the criteria used to update and select the suitable candidates from the databank were not captured in the Human Resources Policy and Procedures Manual or work instructions. In addition, the data bank is maintained in an excel work sheet, which is prone to manipulation hence, compromising the security and integrity of the information in the data bank.

In the circumstances, the fair and competitive recruitment of staff could not be confirmed.

5.2. Non-Compliance with One Third Basic Rule

A sample analysis of the staff payrolls revealed that forty-seven (47), twenty-five (25), and twenty-two (22) employees earned less than one third of their basic salary in the months of July, 2021, January, 2022 and June, 2022 respectively. This is contrary to Section 19(3) of the Employment Act, 2007 which requires that deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 Financial Reporting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Board 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 Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. 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 Board to cease to continue as a going concern.
- 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 Board 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

09 June, 2023

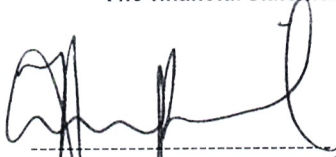
XIII. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30th June 2022.

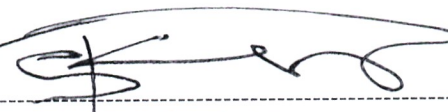
Description	Note	<u>2021-2022</u> Kshs	<u>2020-2021</u> Kshs
Revenues			
Revenue	6	4,042,858,995	736,933,340
Cost of sales	7	<u>3,324,339,881</u>	<u>637,397,363</u>
Gross profit		718,519,114	99,535,977
Gross Margin Gain as a % of Gross sales		18%	14%
Other income			
Finance income	8	170,269,383	142,850,333
Other income	9	711,726,846	529,870,268
Other gains/(losses)	10	1,410,798	1,753,764
Total revenues		1,601,926,141	774,010,342
Operating Expenses			
Administration costs	11	2,772,944,658	2,580,355,146
Selling and distribution costs	12	100,967,768	25,356,772
Finance costs	13	955,870,673	1,295,773,530
Total operating expenses		3,829,783,099	3,901,485,448
Profit/(loss) before taxation		<u>(2,227,856,958)</u>	<u>(3,127,475,106)</u>
Income tax expense/(credit)	15	0	1,313,677
Net profit/(loss) after taxation		<u>(2,227,856,958)</u>	<u>(3,128,788,783)</u>
Other comprehensive income			
Gains on disposal of land		<u>0</u>	<u>0</u>
Surplus or deficit on revaluation of PPE		<u>0</u>	<u>0</u>
Total comprehensive income for the year		<u>(2,227,856,958)</u>	<u>(3,128,788,783)</u>

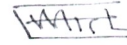
XIV. Statement of Financial Position as at 30 June 2022

Description	Note	2022 Kshs	2021 Kshs
ASSETS			
Non- Current Assets			
Property, Plant and Equipment	16	18,296,564,624	19,139,275,369
Intangible Assets	17	50,350,403	9,181,867
Total Non – Current Assets		<u>18,346,915,027</u>	<u>19,148,457,236</u>
Current Assets			
Inventories	18	957,718,297	1,227,094,135
Trade Debtors and Prepayments	19	6,775,787,416	12,779,775,591
Tax Recoverable	20	18,468,406	0
Bank and Cash Balances	21	4,415,536,266	4,377,053,233
Total Current Asset		<u>12,167,510,385</u>	<u>18,383,922,960</u>
TOTAL ASSETS		<u>30,514,425,412</u>	<u>37,532,380,196</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Fund	22	6,304,142,172	6,304,142,172
Revaluation Reserve	23	23,822,936,182	23,822,936,182
Retained Earnings	24	(14,024,560,803)	(11,796,703,845)
Capital and Reserves		<u>16,102,517,551</u>	<u>18,330,374,509</u>
Current Liabilities			
Bank Overdraft	25	5,005,248,365	6,729,563,152
Trade and other payables	26	8,441,893,908	11,507,676,946
Tax payable	28	964,765,588	964,765,588
Total Current Liabilities		<u>14,411,907,861</u>	<u>19,202,005,687</u>
TOTAL EQUITY AND LIABILITIES		<u>30,514,425,412</u>	<u>37,532,380,196</u>

The financial statements were approved by the Board on 27/03/2023 2023 and signed on its behalf by:


 Joseph Kimote, MBS
 Managing Director


 CPA. Samuel K. Ndung'u ICPAK NO 3001
 General Manager Finance & Accounting


 Mutea Iringo, CBS
 Chairman of the Board

XV. Statement of Changes in Equity for the year ended 30 June 2022

	Capital Fund KShs	Revaluation reserve KShs	Restated Revenue reserve KShs	Total KShs
At July 1, 2020	6,304,142,172	9,589,422,793	(8,667,915,062)	7,225,649,903
Net Profit/(loss) for the year			(3,128,788,783)	(3,128,788,783)
Revaluation adjustment		14,233,513,389		14,233,513,389
At June 30, 2021	6,304,142,172	23,822,936,182	(11,796,703,845)	18,330,374,509
At July 1, 2021	6,304,142,172	23,822,936,182	(11,796,703,845)	18,330,374,509
Net Profit/(loss) for the year			(2,227,856,958)	(2,227,856,958)
Adjustment				
At June 30, 2022	6,304,142,172	23,822,936,182	(14,024,560,803)	16,102,517,551

XVI. Statement of Cash Flows for the year ended 30 June 2022

Description	Note	2022 Kshs	2021 Kshs
OPERATING ACTIVITIES			
Cash generated from/(used in) operations	29	<u>1,962,381,231</u>	<u>(497,407,750)</u>
Net cash generated from /(used in) operating activities		<u>1,962,381,231</u>	<u>(497,407,750)</u>
INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	16	<u>(199,583,411)</u>	<u>(206,451,643)</u>
Net increase /(decrease) in cash and cash equivalent (a)		<u>1,762,797,820</u>	<u>(703,859,393)</u>
Cash and Cash equivalent at beginning of the year			
Cash at Bank and on Hand	21	4,377,053,233	3,788,709,213
Bank Overdraft	25	<u>(6,729,563,152)</u>	<u>(5,437,359,739)</u>
Total (b)		<u>(2,352,509,919)</u>	<u>(1,648,650,526)</u>
Total (a+b)		<u>(589,712,099)</u>	<u>(2,352,509,919)</u>
Cash and Cash equivalent at end of the year			
Cash at Bank and on Hand	21	4,415,536,266	4,377,053,233
Bank Overdraft	25	<u>(5,005,248,365)</u>	<u>(6,729,563,152)</u>
		<u>(589,712,099)</u>	<u>(2,352,509,919)</u>

National Cereals and Produce Board
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XVII. Statement of Comparison of Budget and Actual amounts for the period ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% +/(-)	Ref no.
	<u>2021-2022</u> Kshs	<u>2021-2022</u> Kshs	<u>2021-2022</u> Kshs	<u>2021-2022</u> Kshs	<u>2021-2022</u> Kshs		
Revenue							
Gross sales	21,785,773,082	(7,406,089,217)	14,379,683,865	4,042,858,995	(10,336,824,870)	-72%	A
Less: Cost of sales	17,583,174,319	(6,175,766,398)	11,407,407,921	3,324,339,881	(8,083,068,040)	-71%	B
Gross margin	4,202,598,763	(1,230,322,819)	2,972,275,944	718,519,114	(2,253,756,830)		
Add:					0		
Finance income	264,501,370	43,762,902	308,264,272	170,269,383	(137,994,889)	-45%	
Other Incomes	1,006,534,640	(47,099,930)	959,434,710	711,726,846	(247,707,864)	-26%	C
Other gains	0	0	0	1,410,798	1,410,798		
Total income	5,473,634,773	(1,233,659,847)	4,239,974,926	1,601,926,141	(2,638,048,785)		
Expenses					0		
Administration cost	3,733,559,111	(237,856,108)	3,495,703,003	2,772,944,658	(722,758,345)	-21%	D
Selling and distribution	1,136,316,763	(318,148,852)	818,167,911	100,967,768	(717,200,143)	-88%	E
Finance cost	366,000,067	(56,151,873)	309,848,194	955,870,673	646,022,479	208%	F
Total expenditure	5,235,875,941	(612,156,833)	4,623,719,108	3,829,783,099	(793,936,009)		
Turnover tax		0			0		
Surplus for the Year	237,758,832	(621,503,014)	(383,744,182)	(2,227,856,958)	(1,844,112,776)		

Explanatory notes on the differences above:

- The decrease in gross sales is due to drop in sale of fertilizer and pulses
- The drop-in cost of sales is due to low sales turnover.
- The decrease in other incomes is due to decreased commissions on SFR maize.
- The decrease in administrative costs is as a result of low maintenance and conservancy costs
- Decrease in selling and distribution costs is due to decreased business activities

- f) Finance costs increased as a result of loan applied on overdraft facility.
- g) Provision for depreciation significantly increased during the year because of implementing revaluation report.
- h) The transport costs decreased due to low-transportation of fertilizer from the port to various upcountry depots across NCPB network
- i) The staff costs decreased due to non-implementation of CBA, retirements and non-hiring of management trainees.

XVIII. Notes to the Financial Statements

1. General Information

NCPB was established through an Act of Parliament Chapter 338. The Board is wholly owned by the Government of Kenya and is domiciled in Kenya. The Board's principal activity is grain handling and marketing with allied services and facilities as well as distribution of farm inputs. This is in addition to undertaking social functions on behalf of the Government of Kenya on agency basis that relates to procurement, storage, quality maintenance, and distribution/sale of famine relief food commodities as well as SGR stocks.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying NCPB's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Board. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Notes to the Financial Statements (Continued)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

iii. Early adoption of standards

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

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Board and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *Board's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Board's activities as described below.

- i) Revenue from the sale of goods and services is recognized in the year in which the Board delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Income from services rendered and facilities provided is recognized at the time of rendering and providing such services and facilities
- iii) Rental income is recognized in the income statement as it accrues using the effective lease agreements.
- iv) Other income is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

Notes to the Financial Statements (Continued)

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation on Property, Plant and Machinery

Depreciation charge on fixed assets is provided on a straight-line basis and is calculated on cost or revaluation at the following rates which are consistent with prior years. Depreciation charge is prorated both in the year of asset purchase and in the year of asset disposal.

Freehold Land	Nil
Leasehold Land	Over the term of the lease
Buildings, Boreholes, Fences and Roads	2.5%
Silos, Cyprus bins, machinery House and Loading Bays	6%
Plant, machinery and Computer Equipment	12.5%
Fumigation Equipment	20%
Motor Vehicles and Drying Equipment	25%
Other Equipment	12.5%

e) Intangible assets

Intangible assets comprise purchased computer software which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over eight years.

Notes to the Financial Statements (Continued)

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the Financial Statements (Continued)

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

Notes to the Financial Statements (Continued)

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value on the basis of First In First out principle and a provision for shrinkage computed at a rate of 2.2% of the value of the year's purchases of grains and pulses.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted. Provision for bad and doubtful has been made on the basis of specific debts and consists of 100% specific provision for some debtors and a general provision of 7.5% on all outstanding trade debts at Balance Sheet date.

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Notes to the Financial Statements (Continued)

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the Financial Statements (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (Continued)

q) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and cash on hand held in the Board's Cash Offices at Head Office and Depot/Silos and Cash in Transit as at 30th June 2022.

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) Trade Creditors and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Board or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The Board operates a defined Provident Fund Scheme for all its permanent employees on 27th January, 1969. The Board's contributions are charged to the Income Statement in the period in which it relates. The assets of the scheme are held in a separate trustee administered fund, which is funded from contributions from both the Board and the employees.

NCPB also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently 15% while the employee contributes 7.5% of employees basic salary. It is an approved fund under the Income Tax Act and is registered with Retirement Benefits Authority.

Notes to the Financial Statements (Continued)

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Board operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

w) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly and subsequently cascaded and the parent ministry communicated the approval on 30th January 2022.

There were no subsequent revisions or additional appropriations in the course of the year.

The Board'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.

The variance between the actual and budgeted amounts for each item in the income statement is explained as shown in item XVII.

Notes to the Financial Statements (Continued)

x) Comparative figures

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

y) 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.

z) Stocks of consumable stores and Supplies

The accounting procedure for consumable supplies and stores that are centrally purchased is that items are initially coded to respective control accounts for these stocks at the time of procurement and the cost expensed/charged at the time of dispatch to the respective user budget centres. This policy ensures that budget centres are only held responsible for the expenditure directly related to what they have requisitioned and consumed.

aa) Agency fees/Commission

The rates applicable for various services and facilities that were mutually agreed upon the principal (GOK) and the agent (NCPB) have been in force since 12th November 2002 is as follows:

<u>Nature of Service/facility</u>	<u>Rate</u> <u>Kshs/Percentage</u>
i) Storage	4.80 per bag per month
ii) Quality maintenance	5.00 per bag per month
iii) Commission on Purchasing	115.00 per bag
iv) Commission on releases	25.00 per bag
v) Commercial sales commission	9% of sales value
vi) Commission on transport	10% of transport cost
vii) Commission on commodity handling (Direct costs)	10% of handling cost

Notes to the Financial Statements (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Board'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.

a) 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. The Board 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 Board. Such changes are reflected in the assumptions when they occur.

b) 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 assets
- Changes in the market in relation to the asset

Notes to the Financial Statements (Continued)

c) Provisions

Provisions were raised and management determined an estimate based on the information available

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

Provision for bad and doubtful debts has been made on the basis of specific debts and consists of 100% specific provision for some debtors and a general provision of 7.5% of all other outstanding trade debts at the balance sheet date.

Provision for stock shrinkage is computed at a rate of 2.2% of value of the year's purchases.

Notes to the Financial Statements (Continues)

6. Revenue

Description	2021-2022	2020-2021
	Kshs	Kshs
Sales of Local White Maize	1,528,588,725	6,227,330
Sales of Rice	275,751,963	168,571,923
Sales of Paddy	0	0
Sales of Wheat	1,423,360	0
Sales of Gunnies	2,344,533	1,609,410
Sales of Maize seed	23,895,625	14,878,085
Sales of Beans	182,641,790	7,280,970
Sales of Green Grams	7,087,360	1,499,210
Sales of Insecticides	1,298,000	946,366
Sales of Fertiliser	<u>2,019,827,639</u>	<u>535,920,046</u>
Total	<u>4,042,858,995</u>	<u>736,933,340</u>

There was an increased Maize and fertilizer sales due to governments subsidy programme

7. Cost of Sales

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening stocks	1,259,062,387	184,690,182
Purchase	2,920,599,243	1,684,563,251
Milling Costs		
Provision for stock shrinkage (2.2%)	12,611,425	27,206,318
Closing Stocks	<u>(867,933,174)</u>	<u>(1,259,062,388)</u>
Total	<u>3,324,339,881</u>	<u>637,397,363</u>

There was a significant increase in fertilizer purchases during the year which was a large component of purchases figure

8. Finance Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest from commercial Bank (FDR)	170,269,383	142,850,333
Total	170,269,383	142,850,333

Notes to the Financial Statements (Continued)

9. Other Income

Description	2021-2022	2020-2021
	Kshs	Kshs
Weigh bridge charges	17,849,415	17,877,830
Bagging and handling charges	21,953,152	15,435,402
Cleaning charges	7,165,883	4,133,563
Rental charges	456,653,738	417,440,387
Warehousing Receipt	2,762,833	0
Drying and fumigation	<u>14,440,517</u>	<u>36,159,360</u>
	<u>520,825,538</u>	<u>491,046,542</u>
(b) Agency services		
Gok agency remuneration	0	15,621,696
Agency commission from inputs		
	<u>0</u>	<u>15,621,696</u>
(c) Sundry income		
Insurance compensation	933,359	0
Sale of tender documents	852,343	450,805
Sale of obsolete materials	199,208	511,548
Other miscellaneous income	188,916,398	22,239,677
Other fee and charges		
	<u>190,901,308</u>	<u>23,202,030</u>
Total	<u>711,726,846</u>	<u>529,870,268</u>

10. Other Gains and Losses

Description	2021-2022	2020-2021
	Kshs	Kshs
Gain on sale of fixed assets	1,410,798	1,753,764
Total	1,410,798	1,753,764

Notes to the Financial Statements (Continued)

11. Administration Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Staff costs (note 11b)	1,027,504,907	995,625,061
Directors' emoluments (note 11c)	12,096,544	10,702,825
Entertainment	7,399,191	5,484,793
Conservancy, light and water	55,378,382	55,727,425
Consumable stores	9,265,598	5,322,558
Insurance	30,550,712	15,603,023
Land rents & rates and siding charges	18,824,526	18,246,270
Maintenance of machinery, furniture & equipment	62,042,593	56,431,382
Maintenance of building, fences, gates, roads and railway sidings	62,924,027	64,405,413
Postage, telegrams and telephone	27,601,634	22,165,098
Printing and stationery	15,176,254	9,635,729
Security expenses	86,458,663	95,657,738
Subscription & Nafaka Newsletter	1,562,765	1,221,712
Uniform and protective clothing	3,241,447	1,620,958
Donations	6,419,970	1,351,400
Bank charges	7,617,388	21,198,796
Audit fee	2,370,690	5,120,690
Legal and other professional fees	42,483,809	56,858,284
Provision for bad and doubtful debts	175,540,987	48,493,711
Depreciation	1,006,548,269	1,002,382,851
Amortization	2,941,540	1,166,094
Other Operating Expenses (note 11d)	108,994,762	85,933,335
Total	2,772,944,658	2,580,355,146

Notes to the Financial Statements (Continued)

11b. Staff Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Salaries and wages	738,922,937	741,434,663
Board's contribution to PF and SSS	77,776,131	81,109,491
Board's contribution to NSSF	1,717,200	1,797,000
Medical expenses	84,143,740	74,053,331
Leave pay and gratuities	27,612,508	21,436,347
Welfare and training	97,332,391	75,794,229
Total	1,027,504,907	995,625,061

The average number of employees at the end of the year was:

Permanent employees – management	453	473
Permanent employees – unionisable	154	267
Temporary and contracted employees	<u>141</u>	<u>48</u>
Total	<u>748</u>	<u>788</u>

11c. Director's expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Director's expenses	12,096,544	10,702,825
Total	12,096,544	10,702,825

11d. Other Operating Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Fumigation expenses	8,491,599	4,123,269
Grain dryers operating costs	4,916,836	5,925,134
Commodity handlings costs	12,772,398	4,784,942
Hired transport (Non-commodities)	5,382,608	
Travelling and subsistence	61,814,043	55,221,512
Vehicles running costs	15,617,278	15,878,478
Total	108,994,762	85,933,335

Notes to the Financial Statements (Continued)

12. Selling and Distribution Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Marketing and Promotional expenses (note 12b)	36,521,827	14,027,164
Other Selling and Distribution costs (note 12c)	64,445,941	11,329,608
Total	100,967,768	25,356,772

There was a significant increase in distribution cost due to fertilizer transportation

12b. Marketing and Promotional expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Advertising	6,400,521	4,328,325
Shows and exhibitions	30,121,306	9,698,839
Total	36,521,827	14,027,164

12c. Railway & Road transport costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Railway & Road transport costs	<u>64,445,941</u>	<u>11,329,608</u>
Total	64,445,941	11,329,608

13. Finance Costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Bank overdraft interest	955,870,673	1,295,773,530
Total	955,870,673	1,295,773,530

Notes to the Financial Statements (Continued)

14. Operating Profit/ (Loss)

Description	2021-2022 Kshs	2020-2021 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12b)	1,027,504,907	995,625,061
Depreciation of property, plant and equipment	1,006,548,269	1,002,382,851
Amortization of intangible assets	2,941,540	1,166,094
Provision for bad and doubtful debts	175,540,987	48,493,711
Directors' emoluments – fees	12,096,544	10,702,825
Other	1,602,780,162	1,837,994,216
Auditors' remuneration - current year fees	2,370,690	5,120,690
Net foreign exchange loss	0	0
Interest receivable	(170,269,383)	(142,850,333)
Interest payable	955,870,673	1,295,773,530
Rent receivable	(456,653,738)	(417,440,387)

Notes to the Financial Statements (Continued)

15. Income Tax Expense/(Credit)

(a) Current taxation

Description	2021-2022 Kshs	2020-2021 Kshs
Current taxation based on the adjusted Profit for the year at 30%	0	0
Current tax: Prior Year Under/(Over) provision	0	0
Current year deferred tax charge	0	0
Prior Year Under-provision for deferred tax	0	0
Total	0	0

(b) Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

Description	2021-2022 Kshs	2020-2021 Kshs
Profit before taxation	(2,227,856,958)	0
Tax at the applicable tax rate of 30%	0	0
Current tax	0	0
Prior Year Under-Provision	0	0
Tax effects of expenses not deductible for tax purposes	0	0
Tax effects of income not taxable	0	0
Tax effects of excess capital allowances over Depreciation/Amortization	0	0
Deferred tax Prior Year Over-Provision	0	0
Total	0	0

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Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

	Freehold land Kshs	Buildings & civil works Kshs	Plant and machinery Kshs	Motor vehicles, motor cycles Kshs	Computers & related equipment Kshs	Office equipment, furniture & fittings Kshs	Capital work in progress Kshs	Total Kshs
Cost or valuation								
At July 1, 2021	5,817,989,592	9,437,735,933	4,567,095,466	150,811,266	81,349,567	158,873,141	143,498,131	20,357,353,095
Additions	-	34,615,729	49,251,012	18,775,862	5,731,665	10,908,838	45,149,145	164,432,252
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(427,000)	(7,937,187)	-	-	-	(8,364,187)
At June 30, 2022	5,817,989,592	9,472,351,663	4,615,919,478	161,649,941	87,081,232	169,781,979	188,647,276	20,513,421,160
Depreciation								
At July 1, 2021	69,804,828	482,061,091	562,677,907	66,103,305	32,347,683	5,082,913	-	1,218,077,727
Charge for the year	69,804,828	324,376,832	575,074,425	18,678,454	11,463,140	7,150,588	-	1,006,548,267
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(427,000)	(7,342,458)	-	-	-	(7,769,458)
At June 30, 2022	139,609,656	806,437,923	1,137,325,332	77,439,301	43,810,823	12,233,501	-	2,216,856,536
Net book value at June 30, 2022	5,678,379,935	8,665,913,740	3,478,594,146	84,210,640	43,270,409	157,548,478	188,647,276	18,296,564,624

The capital work in progress relates to Ongoing renovations and ICT upgrades

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Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

2021	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost or valuation								
As At 1 st July 2020	943,121,270	10,004,381,605	396,901,121	109,782,950	94,572,909	106,801,548	42,979,079	11,698,540,481
Additions	-	9,585,130	3,605,836	50,185,509	17,955,947	22,702,343	100,519,052	204,553,818
Revaluation adjustment	4,874,868,322	(576,230,802)	4,170,873,879	(7,519,033)	(31,179,289)	29,369,250	-	8,460,182,327
Disposals	-	-	(4,285,370)	(1,638,160)	-	-	-	(5,923,530)
As At 30th June 2021	5,817,989,592	9,437,735,933	4,567,095,466	150,811,266	81,349,567	158,873,141	143,498,131	20,357,353,095
Depreciation								
At July 1, 2020	196,597,316	5,213,790,136	374,791,428	92,237,923	67,435,647	50,097,016	-	5,994,949,466
Charge for the year	69,804,828	324,252,761	572,710,856	18,743,375	11,225,549	5,645,481	-	1,002,382,851
Revaluation adjustment	(196,597,316)	(5,055,981,807)	(380,539,007)	(43,239,833)	(46,313,513)	(50,659,584)	-	(5,773,331,060)
Eliminated on disposal	-	-	(4,285,370)	(1,638,160)	-	-	-	(5,923,530)
As At 30th June 2021	69,804,828	482,061,091	562,677,907	66,103,305	32,347,683	5,082,913	-	1,218,077,727
Net book value								
At June 30, 2021	5,748,184,764	8,955,674,842	4,004,417,560	84,707,961	49,001,884	153,790,228	143,498,131	19,139,275,368

Notes To The Financial Statements (Continued)

Valuation

PPE were valued by Sec & M Co. Ltd independent valuer on Fair value basis. These amounts were adopted on July 2021

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant And Machinery	56,758,796.66	7,094,849.58
Motor Vehicles, Including Motor Cycles	52,716,836.33	13,179,209.08
Computers And Related Equipment	9,860,149.45	1,232,518.68
Office Equipment, Furniture And Fittings	62,973,158.62	7,871,644.83
Total	182,308,941.06	29,378,222.17

17. Intangible Assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At July 1	41,314,016	33,492,660
Additions	44,110,076	7,821,356
Disposals	(0)	(0)
At June 30	<u>85,424,092</u>	<u>41,314,016</u>
Amortisation		
At July 1	<u>32,132,149</u>	<u>30,966,055</u>
Charge For The Year	2,941,540	1,166,094
Disposals	(0)	(0)
Impairment Loss	(0)	(0)
At June 30	<u>35,073,689</u>	<u>32,132,149</u>
Net Book Value		
At June 30	<u>50,350,403</u>	<u>9,181,867</u>

The intangible asset relates to Software acquired for various modules

Notes to the Financial Statements (Continued)

18. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Local White maize	600,315	1,084,196,560
Beans	37,269,290	2,220,390
Maize Seeds	5,707,437	2,107,011
Castor seeds	0	0
Paddy	136,127,272	116,335,607
Local milled rice	9,637,935	30,787,040
Wimbi	0	0
Green Grams	4,056,487	376,948
Fertiliser	129,946,346	7,847,015
Packaging bags (Jute/pp)	544,588,092	15,191,817
Insecticides	0	0
Less: Provision for stock shrinkage (2.2%)	(12,611,426)	(135,646,931)
Total	855,321,748	1,123,415,457

18 b) Consumables

Stock of consumables	102,396,549	105,960,915
Less: Provision for obsolete consumable stock	0	(2,282,237)
Total	102,396,549	103,678,678
Total closing stock at year end	<u>957,718,297</u>	<u>1,227,094,135</u>

18 c) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	137,929,168	110,722,850
Additional provisions during the year	12,611,426	27,206,318
Written off during the year	(137,929,168)	0
At the end of the year	12,611,426	137,929,168

Notes to the Financial Statements (Continued)

19. Trade and Other Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade receivable Note 19(b)		
Former Associated Company	160,078	160,078
Debtors for imported Wheat	35,933,464	35,933,464
Receivables	1,144,003,219	1,175,533,410
Staff Debtors	118,716,648	115,941,063
Sundry Debtors and Prepayments	<u>484,192,935</u>	<u>277,107,190</u>
Gross trade receivable	1,783,006,344	1,604,675,205
Provision for Bad And Doubtful Receivable	<u>(992,652,883)</u>	<u>(993,145,460)</u>
Net Trade Receivables	<u>790,353,461</u>	<u>611,529,746</u>
Other receivables		
Government Debtors – New Agency A/c Note 19 (c)	1,249,767,546	4,905,734,208
Government Debtors - MOA Fertilizer A/C Note 19 (d)	<u>4,735,666,409</u>	<u>7,262,511,638</u>
Total trade and other receivables	6,775,787,416	12,779,775,591

Notes to the Financial Statements (Continued)

The provision for bad and Doubtful debts comprises the following:

Associated Companies	160,077.50	160,077.50
Debtors for imported Wheat	35,933,463.80	35,933,463.80
Receivables	792,207,349.66	794,564,531.28
Staff debtors	95,482,803.72	95,274,634.65
Sundry debtors	68,869,188.35	67,212,757.47
Total cumulative provision	992,652,883.03	993,145,464.70

19 (b) Trade Receivables

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Trade Receivables	1,783,006,344	<u>1,604,675,205</u>
Provision for Doubtful Receivables	<u>(992,652,883)</u>	<u>(993,145,460)</u>
Net Trade Receivables	<u>790,353,461</u>	<u>611,529,749</u>
At June 30, the ageing analysis of gross Trade Receivables was as follows:		
Less than 30 Days	34,700,297	11,848,183
Between 30 and 60 Days	3,272,455	11,383,824
Between 61 and 90 Days	1,238,995	2,021,310
Between 91 and 120 Days	3,380,527	2,206,055
Over 120 Days	<u>1,740,414,070</u>	<u>1,577,215,832</u>
Total	<u>1,783,006,344</u>	<u>1,604,675,204</u>

Notes to the Financial Statements (Continued)

19 (c) Government Debtors – New Agency A/c

The breakdown of amounts outstanding in relation to each activity as well as remittances from Government during the year is summarized here below:

	Cumulative amounts Due KShs	Amounts Received Kshs	Net bal. due 30 th June. 2022 Kshs	Net bal. due 30 th June 2021 Kshs
(a) Strategic Grain Reserve (old A/c)				
Balance B/F	342,341,936	0	342,341,936	342,341,936
Direct expenses for the Period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>342,341,936</u>	<u>0</u>	<u>342,341,936</u>	<u>342,341,936</u>
(b) Famine Relief Programme				
Balance B/F	(632,819,283)	0	(632,819,283)	(632,819,283)
Direct expenses for the Period	0	0	0	0
Storage charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>(632,819,283)</u>	<u>0</u>	<u>(632,819,283)</u>	<u>(632,819,283)</u>
© GOK 17selected Depots for Famine Relief				
Balance B/F	191,916,638	0	191,916,638	191,916,638
Direct expenses for the Period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>191,916,638</u>	<u>0</u>	<u>191,916,638</u>	<u>191,916,638</u>
(d) Strategic Grain Reserve (New A/c)				
Balance B/F	5,827,047,293		5,827,047,293	5,684,709,282
Direct expenses for the Period	0	3,479,933,098	(3,479,933,098)	124,529,278
Storage charges	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,808,733</u>
Sub Total	<u>5,827,047,293</u>	<u>3,479,933,098</u>	<u>2,347,114,195</u>	<u>5,827,047,293</u>
Total(a+b+c+d)	<u>5,728,486,584</u>	<u>3,479,933,098</u>	<u>2,248,553,486</u>	<u>5,728,486,584</u>
Less sales proceeds from sale of returned gunnies			<u>0</u>	<u>0</u>
			<u>2,248,553,486</u>	<u>5,728,486,584</u>
Provision for bad & doubtful debts			998,785,941	822,752,376
Net outstanding balance -30th June. 2022			<u>1,249,767,545</u>	<u>4,905,734,208</u>

(e) Provision for bad and doubtful debts on GOK agency relates to old debts which has been outstanding for long and is to be written off over a period of four years.

Accumulated provision b/f	<u>822,752,376</u>	<u>778,563,195</u>
Provision for the period	<u>176,033,565</u>	<u>44,189,181</u>
Total provision as at 30th June 2022	<u>998,785,941</u>	<u>822,752,376</u>

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Notes to the Financial Statements (Continued)

19 (d) Government Debtors - MOA Fertilizer A/C

During the year the Board handled and sold assorted quantities of fertilizers at subsidized price and the outstanding subsidy from GOK is as shown below.

	<u>2022</u>	<u>2021</u>
	Kshs	Kshs
Balance B/F	<u>7,262,511,637</u>	<u>7,237,996,102</u>
Add cost for the year	782,760,000	24,515,535
	<u>8,045,271,637</u>	<u>7,262,511,637</u>
Less: Amount received during the year	<u>3,309,605,228</u>	<u>0</u>
Balance due from GOK	<u>4,735,666,409</u>	<u>7,262,511,637</u>

20. Tax Recoverable

Description	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (Note 16)	0	0
Under/(Over) Provision in prior year (Note 16)	0	0
Income tax paid during the year	<u>18,468,406</u>	<u>0</u>
At end of the year	18,468,406	0

The amount was in relation to withholding taxes remitted at source during the period

21. Bank and Cash Balances

The amount of Kshs 4,415,536,266 represents bank balances and cash in hand held in the Board's Cash Offices at Head Office and Cash in transit as at 30th June 2022.

Description	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	4,405,717,036	4,370,061,300
Cash in hand	9,158,111	185,207
Cash in transit	<u>661,119</u>	<u>6,806,726</u>
Total	<u>4,415,536,266</u>	<u>4,377,053,233</u>

The bulk of the Cash at Bank was held at Cooperative Bank and KCB Bank

Notes to the Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents

Description	Account number	2021-2022 Kshs	2020-2021 Kshs
Financial institution			
a) Current Account			
KCB, Coop bank, Consolidated bank and Transnational Bank	104 Bank A/Cs	1,855,717,036	4,370,061,300
b) Staff car Loan		50,000,000	0
c) Fixed deposits		2,500,000,000	0
d) Others			
Cash in transit		661,119	6,806,726
Cash in Hand		0	19,683
M-pesa Account		9,158,111	165,523
Sub- Total		<u>4,415,536,266</u>	<u>4,377,053,233</u>
e) Bank Overdraft		(5,005,248,365)	(6,729,563,152)
Total cash and cash equivalents		<u>(589,712,099)</u>	<u>(2,352,509,919)</u>

22. Capital Fund

Description	2021-2022 Kshs	2020-2021 Kshs
Balance B/F	<u>6,304,142,172</u>	<u>6,304,142,172</u>

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Notes to the Financial Statements (Continued)

23. Revaluation Reserve

The revaluation reserve relates to the revaluation of items of property, plant, and equipment. The incorporation of the new values of assets resulted to a net revaluation gain of Kshs 14,233,513,389 and together with brought forward balance increased revaluation reserve to Kshs 23,822,936,182

	Leasehold land	Fencing driveways	Building and grain silos	Motor vehicles	Plant & machinery & equipment	Total
Book Cost adjustment	4,874,868,322.00	(23,944,870)	(552,285,932)	(7,519,033)	4,169,063,840	8,460,182,327
Accumulated Depreciation adjustment	196,597,316	27,572,924	5,028,408,883	43,239,833	477,512,105	5,773,331,061
TOTAL	5,071,465,638	3,628,054	4,476,122,951	35,720,800	4,646,575,945	14,233,513,388

24. Retained earnings

The Board recorded a Net Operating Loss of Kshs. 2,227,856,959 during the period under review on its commercial activities. The Loss has been transferred to the Revenue Reserves Account leaving a debit balance of Kshs. 14,042,928,047 as shown below;

	<u>2022</u> Kshs	<u>2021</u> Kshs
Balance B/F	<u>(11,796,703,845)</u>	<u>(8,667,915,062)</u>
Net loss/profit for the period	<u>(2,227,856,958)</u> <u>(14,024,560,803)</u>	<u>(3,128,788,783)</u> <u>(11,796,703,845)</u>

25. Bank overdraft

The Board has a standby overdraft facility of Kshs.615 million with the Kenya Commercial Bank Limited to supplement working capital. The balances as at 30th June 2022 were as follows: -

	<u>2022</u> Kshs	<u>2021</u> Kshs
Main Bank A/c	<u>5,005,248,365</u>	<u>6,729,563,152</u>

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Notes to the Financial Statements (Continued)

26. Trade and Other Payables

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	577,404,487	568,158,530
Creditors – owing to farmers	516,673,180	645,663,621
Creditors – staff	6,442,682	7,353,943
Sundry creditors and provisions	412,257,788	839,813,252
GOK on fertilizer Sales Note 26b	2,824,564,732	5,342,136,561
GOK on past market intervention Note 26c	174,063,028	174,063,028
GOK Agency Programme (Old A/c) Note 26d	143,195,039	143,195,039
GOK on SGR Maize sales Note 26e	3,787,292,972	3,787,292,972
Total	8,441,893,908	11,507,676,946

26b Creditors - Due to GOK – Fertilizer Sales

Balance B/F	5,342,136,561	5,215,013,011
Sales for the year	<u>162,791,850</u>	<u>127,123,550</u>
	5,504,928,411	5,342,136,561
Less: Remittances	<u>2,680,363,678</u>	<u>0</u>
Amount owed to GOK at year end	<u>2,824,564,733</u>	<u>5,342,136,561</u>

26c Government market Intervention A/c

The balance in this account relates to 1994/1995 maize intervention and subsequent maize export transactions in 1995/95 and 1996/97. As at Balance sheet date there was still a retained surplus of Kshs 174,063,028 to be offset against other GOK debts which are still under review as shown below

	2021-2022	2020-2021
	Kshs	Kshs
Balance due to GOK as at year end	<u>174,063,028</u>	<u>174,063,028</u>

Notes to the Financial Statements (Continued)

26d Government Agency Account- operating Results (Old Account)

Prior to liberalization in grain marketing in December 1993 the Board used to receive cereals from overseas under either Food Aid or Loan Programs on behalf of the Government of Kenya. A formal Agency Agreement that is still in force was entered into on 18th January 1990 between the GOK and the Board. The agreement stipulated terms and conditions as well as the accountability procedures to be observed by the Board for these commodities. An Agency Commission of 8% of sales value was charged to meet the Board's management and overhead costs. The balance held on behalf of the Government as at 30th June 2020 remained the same as in previous year.

	2021-2022 Kshs	2020-2021 Kshs
Balance due to GOK as at year end	<u>143,195,039</u>	<u>143,195,039</u>

26e Creditors – Due to GOK on SGR maize sales

Balance B/F	3,787,292,972	4,415,075,082
Sales for the year	<u>0</u>	<u>68,869,190</u>
	3,787,292,972	4,483,944,272
Less: Remittances	<u>(0)</u>	<u>(696,651,300)</u>
Balance due to Gok at period end	<u>3,787,292,972</u>	<u>3,787,292,972</u>

27. Provisions

Provision for gratuity pay

Balance at beginning of the year	13,664,569	13,664,569
Additional provision at end of year	<u>0</u>	<u>0</u>
Gratuity taken during the year	<u>(5,726,775)</u>	<u>0</u>
Balance at end of the year	<u>7,937,794</u>	<u>13,664,569</u>

Provision for annual gratuity pay is based on services rendered by Contract employees up to the end of the year.

28. Taxation

NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30th June 2022, which reflected a cumulative taxable loss amounting to Kshs. 14,042,928,047. However, Kshs 964,765,588 represents VAT arrears payable to KRA on provision of agencies services to GOK.

Notes to the Financial Statements (Continued)

29. Notes To The Statement of Cashflows

- (a) Reconciliation of operating profit/ (loss) to
-
- Cash generated from/ (used in) operations

	<u>2022</u> Kshs	<u>2021</u> Kshs
Operating profit	(2,227,856,958)	(3,128,788,783)
Add back		
Depreciation	1,006,548,269	1,002,382,851
Amortisation	2,941,540	1,166,094
Provision for Stock Shrinkage	12,611,425	27,206,318
Provision for bad and doubtful debts	175,540,987	48,493,711
Provision on disposal of Fixed asset	<u>(8,364,187)</u>	<u>(5,923,530)</u>
Operating profit/(loss) before working capital changes	<u>(1,038,578,924)</u>	<u>(2,055,463,339)</u>
(Increase)/decrease in Trade debtors and other receivables	5,809,978,780	3,993,865,272
(Increase)/decrease in inventories	256,764,413	(1,096,200,675)
Increase/(decrease) in trade and other payables	(3,065,783,038)	(1,339,609,008)
Increase/(decrease) in Bank Loan	<u>(0)</u>	<u>(0)</u>
Cash generated from/(used in) operations	<u>1,962,381,231</u>	<u>(497,407,750)</u>
(b) Analysis of cash and cash equivalents		

Cash at bank	4,405,717,036	4,370,061,300
Cash in hand	9,158,111	185,207
Cash in Transit	<u>661,119</u>	<u>6,806,726</u>
Bank Overdraft	<u>(5,005,248,365)</u>	<u>(6,729,563,152)</u>
Cash and cash equivalent at year end	<u>(589,712,099)</u>	<u>(2,352,509,919)</u>

30. Related Party Disclosures

Transactions with related parties:

(a) Sales to related parties:

	<u>2022</u> Kshs	<u>2021</u> Kshs
Sales to government Parastatals	0	0
Sales to county Governments	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

(b) Expenses incurred on behalf of related party:

Payment of salaries and wages	<u>0</u>	<u>0</u>
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(c) Key Management Compensation

Directors Expenses	12,096,544	10,702,825
Compensation to Key Management staff		
Total	<u>12,096,544</u>	<u>10,702,825</u>

Notes to the Financial Statements (Continued)

31. Contingent Liabilities

	<u>2022</u>	<u>2021</u>
Bank guarantees	221,544,000	19,844,000
Legal claims against the Board	<u>422,261,719</u>	<u>422,717,719</u>
Total	<u>643,805,719</u>	<u>442,561,719</u>

The Board had contingent liabilities amounting to Kshs. 643,805,719 as at 30th June 2022 due to pending disputes with suppliers of goods and services, together with other individuals who have filed court cases against the Board for various reasons.

32. Financial Risk Management

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

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

i. Credit risk

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

Management assesses the credit quality of each customer, 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 company's management based on prior experience and their assessment of the current economic environment.

The receivables that are past due date relate to trade receivables overdue between 30-120 days. The receivables are not impaired and continue to be paid, however a provision for bad and doubtfully debts is provided and is dealt with in the Income statement.

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

Notes to the Financial Statements (Continued)

ii. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board's directors, who have built an appropriate liquidity risk management framework for the management of the Board's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk by maintaining adequate reserves (cash and bank balance), reserve borrowing facilities by through continuous monitoring of forecasts and actual cash flows and matching the maturity profiles of financial assets with liabilities.

iii. Market risk

The board has put in place an internal audit and Compliance 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 Board's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Board 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 effect of such transactions are minimal because they are few, however the result is dealt with in the income statement either as a loss or a gain.

b) Interest rate risk

Interest rate risk is the risk that the Board's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank interest rate charge on short borrowing. Since the Board working capital has been significantly eroded, it is forced to rely on expensive short-term borrowing from banks but on negotiated terms. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's borrowings.

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rate charges and with negotiable terms.

Notes to the Financial Statements (Continued)

iv. Capital Risk Management

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

	<u>2022</u> Kshs	<u>2021</u> Kshs
Revaluation reserve	23,822,936,182	23,822,936,182
Retained earnings	(14,024,560,803)	(11,796,703,844)
Capital reserve	<u>6,304,142,172</u>	<u>6,304,142,172</u>
Total funds	16,102,517,551	18,330,374,510
Total debt	14,411,907,862	19,202,005,687
Less: cash and bank balances	<u>4,415,536,266</u>	<u>4,377,053,233</u>
Net debt/(excess cash and cash equivalents)	<u>9,996,371,596</u>	<u>14,824,952,454</u>
Gearing	62%	80%

33. Incorporation

The Board is incorporated in Kenya under the Act of Parliament is domiciled in Kenya.

34. Events After The Reporting Period

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

35. Currency

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

National Cereals and Produce Board
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XIX. Appendices

Appendix 1: Implementation Status of Auditor-General prior year 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.

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Procurement of 40,000 Metric Tons of Maize</p> <p>As previously reported, The Board entered into a fixed sum contract Kshs. 730,968,000 on 26th November 2004 for the company on 26 November 2004 for the supply 40,000 MT of white maize at US Dollars 229 per MT which was not executed. The supplier sought for arbitration with Kenya Chapter, Institute of Chartered Arbitrators and in July the 2009 was awarded US\$ 3,106,000 for breach of contract. On appeal by the</p>	<p>The above matter relates to a contract between NCPB and Erad Suppliers & General Contracts for supply and delivery of 40,000 MT of imported maize for purposes of replenishing Strategic Grain Reserves during the drought during 2001/2002 FY. The Supplier failed to deliver the maize within two weeks as envisaged in the contract. The Supplier thereafter referred the matter to an arbitrator citing breach of contract for failing to open a Letter of Credit (LC). NCPB acted as an agent of the Government in the importation of maize.</p> <p>The Supplier claimed that the Government should have availed funds to NCPB for opening the LC being the</p>	<p>John Ngetich Board Secretary</p>	<p>Not resolved</p>	<p>Ruling made in favour of NCPB but appealed thus the appeal Case is ongoing</p>

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Board, the award was increased to US\$ 6,140,859 being equivalent to Kshs. 552,677,382 of which an amount of Kshs. 264,864,285 has been settled leaving a balance of Kshs. 251,499,614. Although the case is pending in court awaiting its hearing and determination, it is not however, possible to ascertain the extent of the liability that may arise as a result of the claim in question.</p>	<p>principal. The matter was heard by the arbitrator who awarded the supplier USD 3,106,000 together with interest of 12%. The Board appealed against the award at the High Court, however the court declined to set aside the award but finally advised that the Court of Appeal was the only avenue NCPB court use to set aside the award. The appeal has been on-going with the application by EACC to be enjoined in the case and to present additional evidence was heard and the court enjoined them but directed that the additional evidence is heard on priority basis. In the event the court of Appeal allows the appeal, the arbitral award will be set aside and directions given by the court on the next course of action. The Board shall therefore apply for restitution for funds confiscated and assets taken during the attachment.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>If the court dismisses the appeal, the Board shall pay the balance of the decretal sum which will then be passed to the Government. The SFR Board is regularly updated on the matter</p> <p>Current Position</p> <p>The court is the only authority which can finally address the amount payable if any or the amount due to the Board if the award is set aside.</p> <p>We wish to clarify that the Kshs. 314 million was collected through garnishee process where the Board's bankers were compelled to freeze the NCPB's bank accounts and transmit the funds to Erad as directed by the court.</p> <p>The matter came up for hearing on 1st March 2017 for the hearing of the additional evidence by EACC. However two Judges requested to recuse due to relationship with the Respondent and the other having previously acted for the Respondent. The court directed that a new hearing be fixed</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>on priority basis before the bench which allowed the additional evidence to be introduced.</p> <p>It is therefore prudent that all cost be accumulated under GOK agency account until such a time the final verdict is issued.</p>			
2.	<p>Current Liabilities</p> <p>j) Taxation</p> <p>As previously reported in the previous year, Included also in the current liabilities balance of Kshs.10,826,182,855 as at 30th June 2016 is an amount of Kshs.964,765,588 in respect of Value added tax arrears payable to Kenya Revenue Authority on provision of agencies services to the government. This figure includes Kshs. 410,092,367 tax that has remained outstanding since 2002. This amount continues to attract penalties and interest</p>	<p>During their routine tax audits, Kenya Revenue Authority (KRA) indicated that GOK agency services rendered by NCPB are subject to Value Added Tax (VAT) and the SGR Trustees were advised to either seek exemption from Treasury or budgetary provision to pay the tax amount. Several attempts were made to seek exemption from Treasury and eventually the National Treasury through letter ref. DFN 415/411/01 dated 7th February 2013 clarified that agency services are subject to VAT and therefore NCPB should comply with the law. The parent ministry was advised to seek budgetary provision to cover the VAT arrears. NCPB complied immediately by incorporating VAT on all invoices for agency services with effect from 1st January 2013. However VAT assessment for period 2001 to 2012</p>	MD	Not resolved	2021/2022FY

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>that have not been assessed and incorporated in the financial statements.</p>	<p>which was not charged remained unresolved which stood at Kshs(1.8 billion(made up of principal and penalties and interest)</p> <p>Subsequently KRA issued an agency notice dated 24th April 2013 to all NCPB bankers to recover the tax arrears component for the period 2010 to 2012 amounting to Kshs. 464,430,643.61. The agency notice was enforced and Kshs. 54,338,277.00 taken from NCPB bank accounts leaving a balance of Kshs.410,092,367. The PS – MOALF intervened to have the bank account unfrozen and further appealed to Treasury to provide funds to cover the tax arrears. The matter was referred to the Strategic Food Reserve Oversight Board who accepted to take the responsibility for the VAT arrears on agency services.</p> <p>The PS-MOALF wrote to KRA on 22nd March 2016 proposing a repayment plan for the principal VAT arrears as approved by SFR Board of KShs. 964.77 million in 3 instalments.</p> <p>However vide their letter dated 6th April 2016, KRA wrote indicating that the payment plan had been rejected indicating</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>that the full settlement should be within a period of twelve months and threatened to effect recovery action.</p> <p>Current Status</p> <p>Following several appeals by NCPB for the matter to be resolved on one hand and efforts by KRA to enforce collection measures on the other hand that resulted into a Notice of distress detaining goods and chattels, the National Assembly Departmental Committee on Agriculture Livestock and Cooperatives took up the matter with a view of finding an amicable solution.</p> <p>The Committee in its sitting on 14th June 2016 directed the CS MOALF and CS National Treasury to meet and find a solution to the matter.</p> <p>They reported back to the Committee on 30th June 2016 where it was agreed that the best option was abandonment of the tax due to difficulty in paying as the budget provision for SFR have reduced substantially.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
		<p>As guided by Commissioner General (KRA), NCPB made a formal request for abandonment vide letter Ref: NCPB/CONF/1/2 dated 5th July 2016 to KRA and the outcome is being awaited. A follow up was made by the PS MOALF vide letter Ref.MOA/LCD/9/4/2/VOL.IV letter dated 6th October 2016.</p> <p>Following the above development where the SGR Board owned up the tax responsibility and the subsequent resolution by the National Assembly Departmental Committees on Agriculture and Co-operatives for abandonment, the entire tax amount will be reversed from NCPB books of account once the approval is granted.</p>	John Gichuru Finance Manager	Not Resolved	30/06/2022
	<p>ii) Trade Creditors – Kshs 443,536,381</p> <p>Similarly as previously reported, the creditors and provisions balance of Kshs. 6,753,703,604 as disclosed under Note 13 to the financial statements includes an amount of Kshs. 202,291,356 relating to the trade</p>	<p>These creditors are arising from trading activities and are being reconciled in order to confirm those that are payable and appropriate action taken.</p>	John Gichuru Finance Manager	Not Resolved	30/06/2022

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	creditors that have been outstanding since July 2012. No satisfactory reason has been given for the failure to settle the liabilities.				
	<p>iii) Outstanding payments and receipts in bank statement</p> <p>Further the statement of financial position reflects an amount of Kshs. 299,070,750 under Bank Overdraft. A review of bank reconciliation statement for the account maintained at KCB KENCOM Branch A/C No. 1107-165-679 revealed amounts of Kshs. 4,169,757 and Kshs. 1,490,672 described as payments in bank not in cash book and receipts in the bank not in cash book respectively, that have been outstanding since June 2015. No explanation has been provided for the</p>	<p>The two amounts are entries in the bank statements which are foreign and whose details the bank has promised to provide. These amounts are still outstanding and has been confirmed by KCB that the matter is receiving attention and that the investigations are still ongoing as per letter Dated 6th March 2017.</p>	Samuel K. Ndung'u	resolved	30/06/2017

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)												
3.1	<p>amounts. Consequently, the accuracy of the overdraft amount of Kshs. 299,940,489 as at 30th June 2016 cannot be confirmed.</p> <p>Debtors and Prepayments The Debtors and prepayments balance of Kshs. 545,036,971 as disclosed under Note 6 to the Financial statement includes trade debtor balances totaling Kshs. 753,589,267 representing 72% of trade debtors that have been outstanding for more than four (4) years. Although a cumulative bad debts provision of Kshs. 943,557,914 has been provided for in the financial statements, it has not been possible to confirm whether and if so, when the Board will be able to recover the amounts. No action appear to have been taken to ensure recovery of the debts.</p>	<p>We wish to clarify that the amount of Kshs. 987,193,951.00 indicated as older than four years was for 30th June 2015. As at 30th June 2016 the balance outstanding had reduced to KShs. 753,589,267.00 as summarized below:-</p> <table border="1"> <thead> <tr> <th>CATEGORY</th> <th>AMOUNT (KSHS) 30/06/2015</th> <th>AMOUNT (KSHS) 30/06/2016</th> <th>MANAGEMENT ACTION</th> </tr> </thead> <tbody> <tr> <td>Debts recommended for write off</td> <td>628,084,650</td> <td>628,084,650</td> <td>Board's approval for write off</td> </tr> <tr> <td>Debts Under Litigation</td> <td>56,934,695</td> <td>56,934,695</td> <td>Cases in Court</td> </tr> </tbody> </table>	CATEGORY	AMOUNT (KSHS) 30/06/2015	AMOUNT (KSHS) 30/06/2016	MANAGEMENT ACTION	Debts recommended for write off	628,084,650	628,084,650	Board's approval for write off	Debts Under Litigation	56,934,695	56,934,695	Cases in Court	John Gichuru Head of Finance	Not resolved	30/06/2022
CATEGORY	AMOUNT (KSHS) 30/06/2015	AMOUNT (KSHS) 30/06/2016	MANAGEMENT ACTION														
Debts recommended for write off	628,084,650	628,084,650	Board's approval for write off														
Debts Under Litigation	56,934,695	56,934,695	Cases in Court														

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)								
	<table border="1" data-bbox="884 815 1120 1469"> <tr> <td data-bbox="1086 815 1120 981">Collectable Debts</td> <td data-bbox="1086 981 1120 1160">302,174,606</td> <td data-bbox="1086 1160 1120 1339">68,569,922</td> <td data-bbox="1086 1339 1120 1469">The balance is being pursued</td> </tr> <tr> <td data-bbox="884 815 1086 981">Total</td> <td data-bbox="884 981 1086 1160">987,193,951</td> <td data-bbox="884 1160 1086 1339">753,589,267</td> <td data-bbox="884 1339 1086 1469"></td> </tr> </table> <p data-bbox="708 815 836 1469">The management will be presenting recommendations for write off to the Board Members for approval once the write-off policy is approved.</p> <p data-bbox="389 815 651 1469">That notwithstanding, NCPB has vigorously been pursuing payments of debts including taking legal action against defaulters and currently cases involving Kshs.56.9 million are under litigation. Goods and properties for other defaulters especially for rental arrears have been confiscated and will be sold to defray outstanding rental arrears.</p> <p data-bbox="248 815 328 1379">However as a prudent measure, NCPB has provided Kshs.943 million as provision for doubtful debts.</p>	Collectable Debts	302,174,606	68,569,922	The balance is being pursued	Total	987,193,951	753,589,267					
Collectable Debts	302,174,606	68,569,922	The balance is being pursued										
Total	987,193,951	753,589,267											

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
3.2	<p>Government Debtors Agency As previously reported, Government Agency Account balance of Kshs. 2,961,873,689 as at 30th June 2016 still includes brought forward figures of Kshs. 342,341,936 and Kshs. 191,916,638 relating to Strategic Grain Reserve programme – old account and GOK 17 selected depots for old account Famine Relief respectively, both of which have remained unpaid for over 17 years. It has not been possible to confirm whether and if so, the Board will be able to recover the amounts. No provision for bad debts has been made in this regard.</p>	<p>The outstanding debts are old debts amounting to Kshs.534.26 million as shown below:-</p> <table border="1" data-bbox="783 748 1114 1384"> <thead> <tr> <th></th> <th style="text-align: right;">Kshs</th> </tr> </thead> <tbody> <tr> <td>Cost of Reserved Capacity & Wheat Market Intervention</td> <td></td> </tr> <tr> <td>i) Account on SGR</td> <td style="text-align: right;">342,341,936</td> </tr> <tr> <td>ii) 17 G.O.K Depots reserved for Famine Relief Programme</td> <td style="text-align: right;">191,916,638</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">534,258,574</td> </tr> </tbody> </table> <p>A Committee was constituted comprising officer from MOALF, MOD&P, Treasury and NCPB who went through all NCPB claim. However the final report was not issued to allow implementation of the recommendations.</p> <p>The matter will be finalized once a committee to relook at the claims is reconstituted.</p>		Kshs	Cost of Reserved Capacity & Wheat Market Intervention		i) Account on SGR	342,341,936	ii) 17 G.O.K Depots reserved for Famine Relief Programme	191,916,638	Total	534,258,574	Samuel k. Ndung'u GMFA	Not Resolved	30/06/2022
	Kshs														
Cost of Reserved Capacity & Wheat Market Intervention															
i) Account on SGR	342,341,936														
ii) 17 G.O.K Depots reserved for Famine Relief Programme	191,916,638														
Total	534,258,574														

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Timeframe: (Put a date when you expect the issue to be resolved)
3.3	<p>Cannon insurance Arbitration</p> <p>The statement of financial position's debtors and prepayments balance of Kshs. 545,036,971 includes an amount of kshs. 20,354,729 being a deposit for a court case between M/S Afgri Trading (PTY) Limited Vs Board. The deposit had been occasioned by a suit between Can Assurance Limited and Afgri Trading Limited. Examination of documents available revealed that the matter arose as a result of an award in 2008 to Afgri Trading Limited to supply 60,000MT of white maize. During delivery, on 20th November 2008, the Board was informed of an explosion on the vessel carrying the maize whereby 6,350MT were damaged and declared</p>	<p>4.4 Canon Insurance Arbitration</p> <p>However as a prudent measure the management has provided Kshs 280 million as provision for doubtful debts.</p> <p>The Board contracted Afgri (Pty) Limited of South Africa on 8th August, 2008 for the supply of 60,000± 12% metric tons to be shipped on or before 15th November, 2008 in shiploads of 20,000 metric ton. The 1st and 2nd ships arrived safely without any incident. However the Board was informed by the supplier that there had been an explosion on the ship transporting the 3rd consignment.</p> <p>The Ship was arrested by Cannon Assurance Company upon arriving at the port of Mombasa and thus accrued demurrage of USD 211,359.18 by the time it was allowed to sail away after issuing a suitable bank guarantee.</p> <p>The NCPB then claimed from and was paid a sum of Kshs. However, without the knowledge of NCPB the supplier commenced arbitration process in London against M/s. Afgri (Pty) Limited in exercise of their right of subrogation. The Arbitration was instituted in NCPB's name who was the policy holder, while Afgri (Pty) Limited also filed a</p>		Resolved	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>unfit for human consumption Limited. The maize had been insured against marine perils by Cannon Assurance Ltd. The Board therefore claimed for compensation of damaged maize for Kshs. 217 million shillings which was paid. Further, examination of documents revealed that the insurance company after compensating the Board instituted legal proceedings against the vessel which resulted in detaining the vessel that had transported the maize. The detention of the vessel led to accumulation of demurrage charges totalling to USD 211,359. This was followed up by the insurer (Canon Insurance) instituting arbitration proceedings without consulting the Board. The ruling was made in favour of Afgri Trading (PTY) Ltd and the claim</p>	<p>counterclaim of USD 211,359.18. Cannon Assurance abandoned the case when they realized that they had sued the wrong party and Afgri were awarded their counterclaim. When the arbitration process was abandoned, the counter claim for USD 211,359.18 was left undefended and therefore the arbitrator awarded Afgri the demurrage claim. The Board was thereafter served with the arbitral ward for USD 211,359.18 plus interest, arbitration cost £4,656 and taxed cost kshs. 590,345. The arbitral award was domesticated in Kenya and a decree was issued dated 20th May 2013. NCPB brought the matter to the attention of Cannon Assurance who declined to take up the payment and NCPB was therefore forced to settle the claim to avert the proclaimed assets being attached and sold by auctioneers. NCPB brought the matter to the attention of the regulator for actions considered inappropriate by Canon Assurance. They are yet to respond despite several reminders. The Board has since filed a suit against Cannon Assurance for the recovery of Kshs. 20,354,729 as per the attached court pleadings.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>of USD 211,359, 4% per annum interest, Kshs. 4,656 cost of arbitration and Kshs. 590,345 taxed bill. This has since been paid by the Board to Afagri Trading PTY Limited. It is not clear why these costs were incurred by the Board since the Board did not instruct the insurance company to sue and detain the vessel. Consequently, the propriety of the cost of Kshs. 20,354,729 incurred by the Board as compensation to Afagri Trading (PTY) Limited cannot be confirmed.</p>	<p>With the auctioneer having proclaimed and attached NCPB's assets the only recourse available was to settle the judgement award and pursue Canon Assurance for the restitution of the award and any attendant costs. The alternative for NCPB was to disregard the court orders and have the assets proclaimed sold and the management cited for contempt of court.</p> <p>Current Position</p> <p>The Ship owner has proposed a commercial settlement for the parties to be paid and the bank guarantee be released without admission of liability.</p>			
4.1	<p>Storage Facilities</p> <p>As previously reported, and as disclosed under Note 5 to the financial statements property, plant and equipment balance</p>	<p>4.1 Storage Facilities</p> <p>It is true that included in the Fixed Asset Register of the Board are fifty five (55) donor funded storage facilities which have not been formally transferred to the Board.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	<p>of Kshs. 7,054,477,805 602) as at 30th June 2016 still includes fifty five (55) donor funded storage facilities whose ownership has not been clarified. Although in its sitting on 11th August 1998, the Public Investment Committee directed both the parent Ministry and Treasury to look into the matter with a view to formerly transferring the facilities to the Board, no progress appears to have been recorded as at the date of this report.</p>	<p>As stated in our previous responses, the issue of transfer of fifty (55) donor storage facilities was to be addressed as part of asset divestiture programme. However, the asset divestiture and review of legal framework are the two pending commercialization reform actions, which were left outstanding in previous restructuring programme. The Board has been following this matter with the Government with a reminder done vide letters Ref: NCPB/CONF/1/9 dated 21st February 2017 and 29th November 2016. The National Treasury had in their letter Ref: ZZ 40/64/011 dated 20th December 2013 sought to know whether vesting orders had been issued by the Government being the legal instrument for transfer of assets to the Board. The National Treasury further noted that the Board was undergoing restructuring and the preliminary proposal indicated that it may be split into three entities meaning that the Board will not exist in its current form.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>It therefore recommended that the transfer of the storage facilities be held in abeyance until such time that it is clear to which entity the facilities will be transferred to.</p> <p>Current Status</p> <p>NCPB has since followed up with the MOALF seeking update on the current status of issuance of vesting orders for the 55 donor funded projects. This has been done vide letter ref: NCPB/CONF/1/9 dated 29th November 2016 and 21st February 2017 respectively. Following a meeting held at the Treasury on 1st March 2017 between National Treasury officers and NCPB to discuss this matter, additional information and documents were sought and have since been submitted vide letter ref: NCPB/CONF./1/9 dated 1st March 2017 and 31st March 2017 respectively (attached as Annex XIII(a) & XIII(b)). We are awaiting for feedback from National Treasury.</p>			
4.2	<p>Land</p> <p>As previously reported, the property, plant and equipment figure of Kshs.</p>	<p>There are thirty seven (37) plots whose title documents have not been acquired by the Board. The matrix below is a</p>	<p>John Ngetich Corporation Secretary and</p>	<p>Not Resolved</p>	<p>30/06/2022</p>

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
	<p>7,054,477,805 also includes thirty seven (37) parcels of land that have been costed at Kshs.54,383,887 that do have title deeds. Information available, indicates that some of the parcels are leased from Kenya Railways Corporation.</p> <p>The above situation is indicative of significant impairment on some of the properties. Consequently it is not possible to ascertain the accuracy of property, plant and equipment balance of Kshs. 7,054,477,805 reflected in the financial statements.</p>	<p>summary of the current status of title acquisition for the thirty seven (37) plots:-</p> <table border="1" data-bbox="598 754 885 1426"> <thead> <tr> <th>SUMMARY</th> <th>CURRENT STATUS</th> </tr> </thead> <tbody> <tr> <td>A. Plots Contracted to Surveyors</td> <td>30</td> </tr> <tr> <td>B. Plots Under Kenya Railways</td> <td>5</td> </tr> <tr> <td>C. Plots With Lands Registrar</td> <td>2</td> </tr> <tr> <td>Total Plots</td> <td>37</td> </tr> </tbody> </table> <p>The details are specified below:-</p> <p>a) Plots Contracted to Surveyors</p> <p>The Thirty (30) parcels of land contracted to five surveyors for processing of title deeds, are in various stages of title acquisition</p> <p>b) Land Under Kenya Railways Corporation – 5 plots</p>	SUMMARY	CURRENT STATUS	A. Plots Contracted to Surveyors	30	B. Plots Under Kenya Railways	5	C. Plots With Lands Registrar	2	Total Plots	37	head of legal services		
SUMMARY	CURRENT STATUS														
A. Plots Contracted to Surveyors	30														
B. Plots Under Kenya Railways	5														
C. Plots With Lands Registrar	2														
Total Plots	37														

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>The five plots under Kenya Railways Corporation are awaiting the completion of Survey and Title Deed preparation process which the organization is currently undertaking, after which they will prepare Long Term Leases for NCPB for registration at the respective Land Registrars. This is in accordance to letter ref. GMB/LS/OP. 1 Vol. IV dated 17th September 2013, and letter ref. GMB/LS/OP. 1 Vol. IV dated 26th November 2013.</p> <p>c) Plots with the Land Registrar – 2 Plots</p> <p>There following two parcels of Land whose files are with the Land Registrar – Nairobi are in the process of registration/finalization:-</p> <ol style="list-style-type: none"> 1. Mokowe LR. 12852/3 2. Muhoroni Township/180 	Evans Wasike	resolved	30/06/2020
5.	<p>Staff Costs and Wages</p> <p>The staff costs and wages figure of Kshs. 980,064,335 as disclosed in Note 25 to the financial statements include an amount of Kshs. 6,250,848 in respect of acting allowances paid to employees for</p>	<p>It is true that a number of employees have been working in Acting Capacity for more than recommended Government regulation and NCPB's Human Resource Policy of six months.</p>	Evans Wasike	resolved	30/06/2020

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	<p>periods exceeding six months, contrary to public Service Commission Human Resources Policies and Procedures Manual and the Board's human Resource Policy. The Board is therefore in breach of Public Service Commission human Resource policies and its own Human Resource Policy.</p>	<p>The Board has been undergoing a restructuring process for the last seven years. Decision to fill positions for senior Managers was deferred; hence, the extended acting appointments.</p> <p>We would like to confirm that the organizational design which was part of the restructuring has now been done and the revised structure has been sent to the Ministry of Agriculture Livestock and Fisheries (MOALF) for concurrency after being approved by the National Cereals and Produce Board of Directors.</p> <p>The Board of Directors has also approved confirmation of officers acting in key positions subject to the Board obtaining the necessary approvals and concurrencies from relevant government bodies.</p>			
6.	<p>Operating Stock Note 1(e) to the financial statements states that closing stocks have been valued on the basis of first in first out (FIFO) principle, applying the lower of</p>	<p>We wish to clarify that the closing stock is valued at the end year on the basis of First-in –First out (FIFO) and not weighted average cost per product. Attached is the stock movement and valuation. The title in the initial schedule</p>	Samuel k. Ndung'u GMFA	resolved	30/06/2019

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7.	<p>the cost and net realizable value and a provision of stock shortage computed at a rate of 2.2% of the value of the year's purchases. A review of the stock taking documents however revealed that stocks have been valued at an average price. Under the circumstance, the accuracy of the operating stocks figure of kshs. 910,243,950 as at 30th June 2016 as reflected in the financial statements cannot be ascertained.</p>	<p>submitted for audit was inadvertently indicated as weighted average and has since been corrected. As per NCPB policy on valuation a provision of shrinkage of 2.2% of the value of purchase of pulses was made. The stock valuation therefore was as per note 1(e) and NCPB policy. The same will be resolved during next audit review.</p>	<p>Samuel k. Ndung'u GMFA</p>	<p>resolved</p>	<p>30/06/2020</p>
	<p>Finance Costs The statement of financial performance as at 30th June 2016 and as disclosed under Note 25 to the financial statements reflects finance costs totaling Kshs. 147,846,887. Included in this figure is Kshs. 94,808,230 in respect of bank overdraft and loan interest. However, documents available shows that the</p>	<p>The total Interest on overdraft and interest on loan was kshs 227,879,283.70 out of which KShs. 147,574,229.30 pertain to loan on fertilizer PIF facility which was paid by MOALF together with the fertilizer subsidy leaving a balance of KShs.80,305,054.40 and together with borrowing commitment fee of KShs. 14,503,174.90 give a total of KShs. 94,808,229.30 as reported in the annual report. The same will be resolved during next audit review.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
	Board incurred Kshs. 120,172,194 as bank overdraft and loan interest during the period under review resulting to unreconciled difference of Kshs. 25,363,964. It is not possible under the circumstances to confirm whether the finance costs figure of kshs. 147,846,887 as at 30 th June 2016 is fairly stated.				

Name Joseph Muna Kimote, MBS

Signature

Accounting Officer

Managing Director

Date 8/3/2023

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Appendix II: Projects implemented by (The Entity) Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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Appendix III: Inter-Entity Transfers

Break down of Transfers from the State Department of Agriculture and Devolution and Planning				
	FY			
	2021/2022			
Date	Received From	Receipt No.	Amount (KShs)	The purpose and FY to which the amounts relate
06-07-21	MOALF	52A4555706	2,738,501,358.00	SFR Pending Bills
06-07-21	MOALF	52A4555711	741,431,740.00	SFR Pending Bills
		Total	3,479,933,098.00	

The above amounts have been communicated to and reconciled with the respective Ministries

Head of finance

NCPB

Sign

Head of Accounting Unit
 Ministry of Agriculture

Sign.....

Head of Accounting Unit
 Ministry of Devolution and National Planning
 Sign.....i

National Cereals and Produce Board
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Appendix VI: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

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Appendix VII: Disaster Expenditure Reporting Template

Date:

Entity

Period to which this report refers (FY)	Year						Quarter	
Name of Reporting Officer								
Contact details of the reporting officer:	Email					Telephone		
Column I	Column II	Column III	Column IV			Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related expenditure (response/recovery/mitigation/preparedness)	Activity that reporting	Expenditure item	Amount (Kshs.)	Comments	