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REPORT

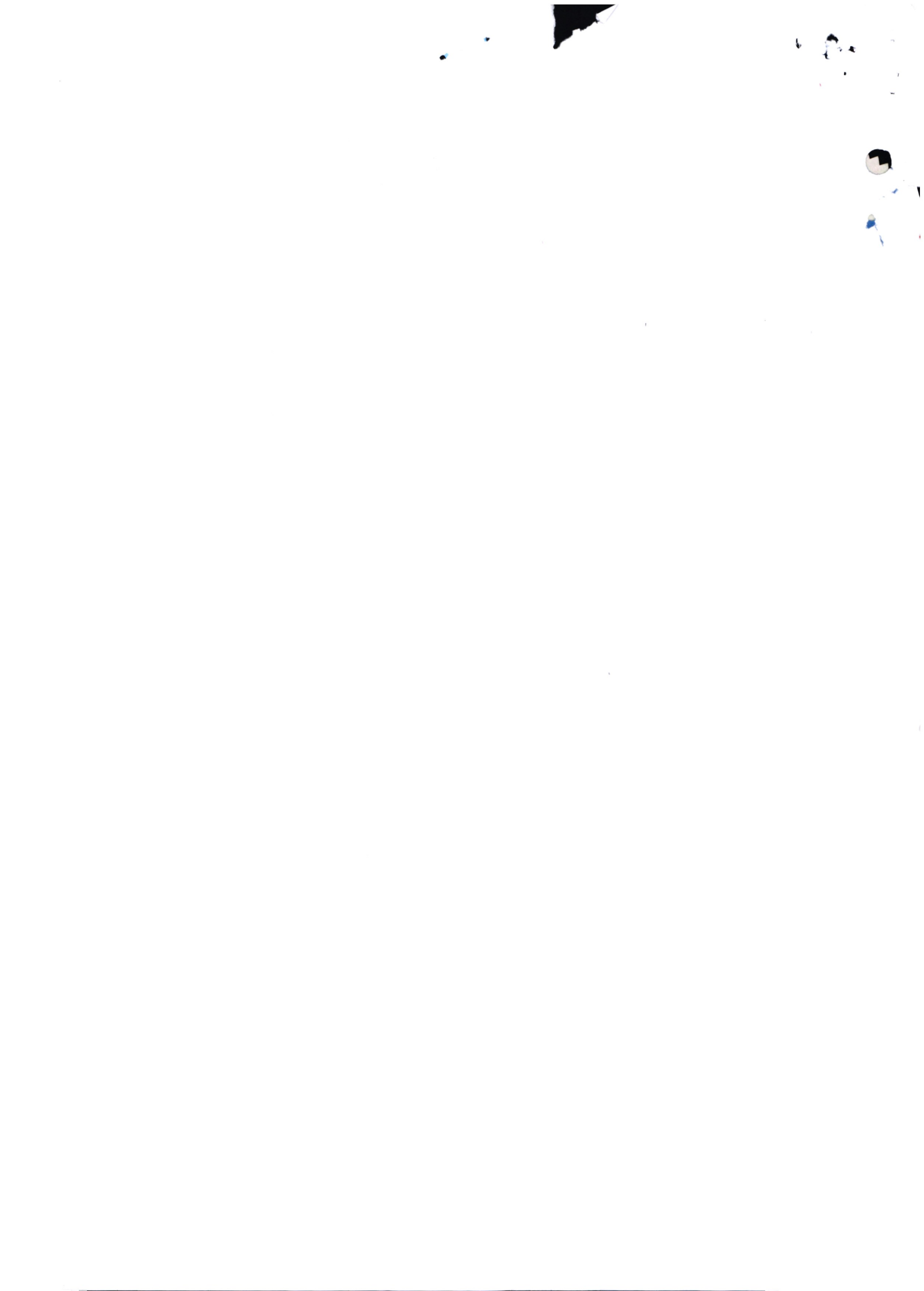
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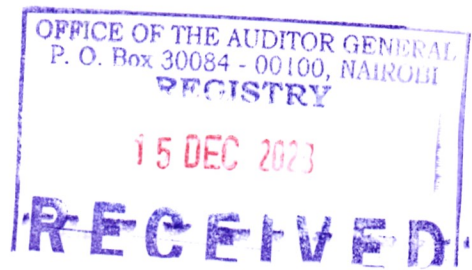
THE AUDITOR-GENERAL

ON

COMMODITIES FUND

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





Commodities Fund



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2023**

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

Table of Contents

1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS	iii
2. KEY FUND INFORMATION AND MANAGEMENT	iv
3. BOARD MEMBERS	ix
4. MANAGEMENT TEAM	xvii
5. CHAIRMAN'S STATEMENT	xx
6. REPORT OF THE MANAGING TRUSTEE	xxiii
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2022/2023.....	xxvi
8. CORPORATE GOVERNANCE STATEMENT	xxix
9. MANAGEMENT DISCUSSIONS AND ANALYSIS	xxxiv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT	xlili
11. REPORT OF THE TRUSTEES	xlvi
12. STATEMENT OF TRUSTEES' RESPONSIBILITIES	xlvii
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF THE COMMODITIES FUND	xlviii
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023.....	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023.....	3
16. STATEMENT OF CHANGES IN NET ASSETS	3
17. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2023	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
19. NOTES TO THE FINANCIAL STATEMENTS.....	7
20. APPENDICES	36
APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS.....	36
APPENDIX II: PROJECTS IMPLEMENTED BY THE COMFUND.....	46
APPENDIX III: TRANSFERS FROM OTHER ENTITIES.....	47



1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

BOT	Board of Trustees
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
COMFUND	Commodities Fund
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank

B: Glossary of Terms

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

Comparative Year- Means the prior period.

2. KEY FUND INFORMATION AND MANAGEMENT

(a) Background information

The Commodities Fund (ComFund) is an agency under the Ministry of Agriculture and Livestock Development. It was established under section 9 of the Crops Act of 2013 (Amended in May 2016) and operationalized on 1st August 2014. It is the successor of the Coffee Development Fund and the Sugar Development Fund. ComFund is domiciled in Kenya and has seven regional offices located in Meru, Embu, Nyeri, Kericho, Mumias, Eldoret and Mombasa.

During the period under review, the Board of Trustees ran the affairs of the ComFund. The Board is appointed in line with requirements of the Crops Act 2013, Section 9(3) amended in May 2016). The Managing Trustee is the Secretary to the Board and Chief Executive Officer of the ComFund. The Managing Trustee is supported by a team of managers comprising of Credit, Finance, Legal and ICT. Others include Planning and Strategy, Human Resource, Supply Chain, Corporate Communications and the Internal Audit.

(b) Principal Activities

The purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

The mission of the ComFund is to provide affordable and accessible credit for development of crops sub-sector. Arising from the mandate, the objectives of the ComFund are:

- Mobilize resources from the government and development partners for onward lending to farmers.
- Develop loan products for scheduled crops as per Crops Act, 2013.
- Provide credit and Advances for all scheduled crops and subsequently collect repayments arising from disbursed credit facilities.
- Facilitate capacity building of farmers.
- Facilitate price stabilization for scheduled crops.

(c) Key Management

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

- i) The Board of Trustees comprising of three committees namely;
 - a) Finance, Human Resources and General Purpose Committee,
 - b) Credit & Business Development Committee
 - c) Audit, Risk & Governance Committee.
- ii) The Managing Trustee who is the Chief Executive and Secretary to the Board.
- iii) The Management team comprising of the Managing Trustee and nine heads of departments and sections.

No.	Designation	Name
1.	Chairman – from 10 th February 2023	Mr. Duke Mainga Ondiba Echate
2.	Chairman – from 5 th July 2022 to 10 th February 2023	Mr. Danson Ngaari Mwangi
3.	Independent Trustee	Dr. Hon Julius Kipyegon Kones
4.	Independent Trustee – up to 29 th April 2023	Ms. Doreen Kanana Mutua
5.	Independent Trustee	Ms. Jane Likimani Gachanja
6.	Independent Trustee	Ms. Mary Basweti Nyachae
7.	Independent Trustee	Mr. Yunis Ibrahim Sheikh
8.	Alternate Director of the Cabinet Secretary	Ms. Alice Kwamboka Nyariki, OGW
9.	Alternate Director to the Principal Secretary, State Department for Crop Development, MoALD	Mr. Joseph Kirubi

(d) Fiduciary Management

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

No.	Designation	Name
1.	Managing Trustee	Nancy Chelangat Cheruyiot
2.	Ag. Managing Trustee	Jane Kahithe Ndungu
3.	Credit Manager	Roseline Wambura
4.	Finance Manager	Silas Nyaga Njagi
5.	Legal Manager	Nesline Okiko
6.	Ag. ICT Manager	Job Kibaara
7.	Head of Supply Chain Management	Tomno Kibichi
8.	Head of HR and Administration	Rose Ndiritu
9.	Head of Corporate Communication	James Singa
10.	Head of Planning and Strategy	Jane Kimani

(e) Fiduciary Oversight Arrangements

The ComFund has developed key fiduciary oversight arrangements in all areas of operations as follows:

i) Finance and Audit Activities

The ComFund has developed key policies in all its operational area and complies with the requirements of the Public Financial Management Act 2012 in the management of public funds. Annual operational and financial budgets are prepared and approved by the relevant authority before implementation. Bank accounts are opened with the authority of the National Treasury and operated by officers appointed by the Board of Trustees. Internal controls in place do not allow an officer of the ComFund to initiate and complete transaction on his/her own. The Internal Audit department of the ComFund reviews operational and financial activities of ComFund independently and reports directly to the Audit, Risk and Governance Committee of the Board. ComFund is annually audited by the Auditor General who reports it's findings to the National Assembly.

ii) Credit Administration

The ComFund has developed an elaborate credit policy that guides credit administration. Credit approvals are vested in Committees to avoid decisions being made individually. The Committees are Management Credit Committee and Board Credit & Business Development Committee.

iii) Overall Supervision by the Board

The Board of Trustees has composed three committees which meet at least once quarterly to deliberate and guide on matters presented before them by the management. The Board Committees then report to the Full Board, which also meets at least once quarterly. The Board is appraised on the performance of the ComFund during the quarterly meetings

(f) ComFund Headquarters

11th floor, Utalii House
Utalii Lane
Off Uhuru Highway
P. O. Box 52714 - 00200
City Square
NAIROBI, Kenya

(g) ComFund Contacts

Mobile : +254-728-602427/8
 +254-737-204278/9
E-mail : info@comfund.co.ke
Website : www.comfund.co.ke

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

(h) ComFund Bankers

Co-operative Bank of Kenya Ltd
Wakulima Branch
P. O. Box 48231-00100
NAIROBI, Kenya
Tel : +254-20-3276000
Fax : +254-20-219821
Website: www.co-opbank.co.ke

Kenya Commercial Bank Limited
Tom Mboya Branch. Postal:
P. O. Box 48400 - 00100.
NAIROBI, Kenya
Tel: 3270000.
Email: contactcentre@kcb.co.ke

NCBA Bank Kenya
Head Office;
Mara and Ragati Roads,
Upper Hill Nairobi,
P.O Box 44599-00100.
NAIROBI, Kenya
Tel: +254 20 2884444
Email: customercare@nic-bank.com

Equity Bank
Kahawa house Branch
P.O. Box 75104 – 00200
NAIROBI, Kenya
Tel: +254763026000.
Email: info@Equitybank.co.ke

National Bank
Harambee Avenue Branch
P. O. Box 72866 - 00200
NAIROBI, Kenya
Tel: 2828000;
Email: info@nationalbank.co.ke

Family Bank Ltd
Gargen House Branch
P. O. Box 74145-00200,
NAIROBI, Kenya
Tel: 0703 095 445;
Email: info@familybank.co.ke

Credit Bank Ltd
Koinange Street Branch
P. O. Box 61064-00200
Tel: 2222300;
NAIROBI, Kenya
Email: info@creditbankltd.co.ke.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

Development Bank
Loita Street Branch
P.O. Box 30483-00100
NAIROBI, Kenya
Tel: 3340401;
Email: dbk@devbank.com;

Housing Finance Ltd
Gill House Branch
P.O. Box 30088-00100
NAIROBI, Kenya
Tel: +254-203262000;
Email: customer.service@hfgroup.co.ke


(i) Independent Auditors



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

(j) Principal Legal Adviser


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

3. BOARD MEMBERS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
<p>1. Mr. Duke Mainga Ondiba Echate</p>  <p>10th February 2023 to date</p>	<p>Duke Mainga Ondiba Echate was appointed Chairman of the Board of Trustees for a three-year term with effect from the 10th of February 2023. He was born on 10th October 1991. He holds a Masters degree in International Relations from the University of Nairobi and a Bachelor of Arts in English and Literature from Kisii University. He is currently finalizing another Masters Degree in Leadership and Governance from Jomo Kenyatta University of Agriculture and Technology (JKUAT).</p> <p>Echate has wealth of experience in Strategic Leadership and Management. He successfully led a National Organizing Committee that recorded a success story for the International Youths Day and the Kenya Inter County Sports and Cultural Association (KICOSCA) Games held in Kisii in August 2018, events that were presided over by the President.</p> <p>He previously worked for Kisii University as the Chief Marketing and Corporate Officer for its Nairobi Campus.</p> <p>He later joined the County Government of Kisii as a County Executive Committee Member in charge of Youths, Sports, Culture and Social Services, a position he held between August 2017 to March 2022.</p> <p>He has also previously served in various University Student Organization bodies including KUSO and Kisii University Students Union where he was the Director in charge of Sports and Entertainment between 2013-2014.</p> <p>He has also been in the forefront in Championing for Women and Children Rights across the Country, an attribute that earned him the opportunity to be crown the Kisii County Anti-FGM Champion, a position he holds to date.</p>

<p>Mr. Danson Ngaari Mwangi</p>  <p><i>5th July 2022 to 10th February 2023</i></p>	<p>Mr. Mwangi was appointed Chairman of the Board of Trustees for a three-year term with effect from 5th July 2022. He was born on 10th July 1962. He holds MBA from Open University of Malaysia and BSc. From Hertfordshire University (UK). He has undertaken City and Guilds of London Institute Dental Technologists Final Exams Kenya and holds a Diploma in Dental Technology from Medical Training College.</p> <p>He has over 20 years' experience in the Management and Training of Dental Science Prosthesis Technology. He has previously worked as teaching theory, practical demonstrations as well as supervising undergraduate students, etc. at the University of Nairobi and as Prosthetic Dental Technologist at Kenyatta National and Referral Hospital.</p> <p>His other experience include:</p> <ul style="list-style-type: none"> • Consulting with Doctors and surgeons from major private Hospitals in and outside Kenya on dental prosthesis. • Managing a successful dental prosthetic Laboratory. • Being a Board member of Kenya accreditation Services(KENAS) - Chairman • Board member Kianyambo Secondary School Kirinyaga • Board member of Gaciongo Secondary School Kirinyaga and • Currently Consulting Tennry Hospitals Mwea Prosthetic Labs.
<p>2. Ms. Alice Kwamboka Nyariki</p>  <p><i>4th October 2019 to Date</i></p>	<p>Ms Alice Nyariki was appointed as a member of the Board of Trustees as representative of the National Treasury on 4th October 2019. She holds a Bachelor of Arts Degree in Sociology and an MSC in Risk Management.</p> <p>She is currently a Senior Deputy Director of Pensions. She has extensive Knowledge in Public Pension Policies, Planning and budgeting.</p>


<p>3. Ms. Doreen Kanana Mutua</p>  <p><i>30th April 2020 to 29th April 2023</i></p>	<p>Ms. Doreen Kanana Mutua was born on 1st January, 1990 and appointed to the Board of Trustees on 30th April, 2020 as an Independent Trustee. Doreen holds B. Com (Finance) and MBA (Finance) from Meru University of Science and Technology. She is a Certified Public Accountant.</p> <p>Ms. Mutua is currently the Managing Director of Boxcar Global Limited.</p> <p>While working as CEO of Donaris Investments she helped grow the SME business from a turnover of Kshs 500,000/- to turnover of around Kshs 20 Million.</p> <p>At Meru County Assembly, she pioneered the establishment of a community based group known as Friends of Obosani Self-help group (2016) in a view to empower the members through loaning facility and housing. The group now owns various properties and is able to loan each member Kshs 500,000/- at a low interest rate of 10%.</p>
<p>4. Dr. Julius Kipyegon Kones</p>  <p><i>5th January, 2021 to Date</i></p>	<p>Hon. Dr. Julius Kipyegon Kones was appointed as an Independent Trustee of Commodities Fund (ComFund) with effective from 5th January 2021. He was born on 21st April 1972 and he is a holder of BSc and Masters (Moi University) and PhD (Netherlands Institute of Ecology) in Statistics. He is a member of Institute of Directors (Kenya) - Member No. 0668.</p> <p>Hon. Dr. Kones is the CEO and Consultant of East Africa Dataline Consult Ltd. Prior to appointment as Trustee of ComFund, he was Chairman of the Board of Directors of Lake Victoria North Water Works Development Agency. He also served as Chairman of the Board of Directors of National Water Conservation & Pipeline Corporation from February 2014 to February, 2019.</p> <p>Among other notable experiences, Hon. Dr. Kones was Member of Parliament (MP) for Konoin Constituency from 2008 to January 2013. He also served as a Lecturer of Mathematics and Statistics at University of Nairobi, School of Mathematics from 2001 to 2007.</p> <p>As an MP he held the following Parliamentary responsibilities: Vice Chairman, Public Accounts Committee. Member, Committee on Delegated Legislation and the Budget and Appropriations Committee,</p>

	<p>Chairman, Kenya-Japan Parliamentary Friendship Association, Member, Parliamentary Caucus on Millennium Development Goals (MDGS), Member, Parliamentary Network on World Bank and IMF, Member, Africa Parliamentary Network Against Corruption (APNAC).</p> <p>Hon. Dr Kones has published works in refereed journals.</p> <p>He participates in social engagements and has won various awards including award of a Certificate of Commitment by the Federation of Women Lawyers (FIDA-Kenya) to champion the attainment of Gender Equality in Kenya legislation by championing gender responsive Constitution, Bills and Budgets.</p>
<p>5. Ms. Jane Likimani Gachanja</p>  <p><i>27th May 2022 to Date</i></p>	<p>Ms. Jane Nkini Likimani-Gachanja was appointed Trustee of Commodities Fund (ComFund) effective from 27th May 2022.</p> <p>Ms. Likimani-Gachanja, was born on 1st December 1961. She holds an MBA in Management from Fordham University, New York, NY, USA, and a BSc. in Business Economics from Southern Connecticut State University, in New Haven, CT, USA.</p> <p>She is a member of the Working Group for the Establishment of the Pan-Africa Women’s Association (PAWO), Kenya Chapter, an African Union affiliate body. She is also a member of the Kenya Association of Fundraising Professionals.</p> <p>She has twenty (20) years working experience in various United Nations entities (Office of the UN Resident Coordinator, Kenya; UNDP Kenya; UNON, UNICEF, New York Hqs., and Malawi). She also has ten (10) years working experience in the Private Sector, as well as a short stint in the then Ministry of Economic Planning and National Development.</p> <p>Currently, she runs a private consultancy, and manages family enterprises.</p>

<p>6. Ms. Mary Basweti Nyachae</p>  <p><i>27th May 2022 to Date</i></p>	<p>Ms. Mary Basweti Nyachae was appointed as an Independent Trustee of Commodities Fund effective 27th May 2022.</p> <p>Mary Nyachae brings with her over 35 years of work experience and successful Entrepreneurship in various sectors, in both private and public as follows in brief: -</p> <ul style="list-style-type: none"> - International Trade and Marketing, focusing mainly on Horticultural Exports to the UK and The European Union, Market Search in the Scandinavian Countries and other untapped markets, courtesy Commonwealth Secretariat and COLEACP (The Europe-Africa-Caribbean-Pacific Liaison Committee) sponsorship. Formerly CEO of a successful export company for 10 years. Expertise in Production and preparation of Value-Added products for export, via The Natural Resources Institute of the University of Greenwich, UK. - Among one of the pioneers in the success and Demand Side Management in the Power Sector. This was done by setting up an Engineering company heading an American Franchise for Sub Saharan Africa to oversee 17 countries in total, with Kenya being the Hub. Successful installations carried out in Kenya, Tanzania, Ghana, South Africa. Among others. Close collaboration with the Ministry of Energy and Kenya Power was key to the success of our Franchise.... <p>Founder Member of Women in Business within The Kenya National Chamber of Commerce and Industry; with establishment of Chapters in all the 47 Counties, confirming the reality of Devolution. Was National Chairperson for a while.</p> <p>One of my highlights and what I consider a great achievement was being one of the Founder Members of Starehe Girls Centre which commenced operations in 2005 with 70 girls....to now 600+ and a well-established National School category. I am still involved in the Annual Fundraising Dinners for 18 years now.... that's how we sustain the sponsorships of each girl from deprived backgrounds. Some of the first batch of girls, all graduates from various universities are back and assisting in administration and involved in fundraising under our guidance.... They are the next generation slowly taking over these activities.</p> <p>A past Vice Chairperson of The Kenya Business and Professional Women's Club (KBPW), an affiliate member of The International Federation of Business and Professional Women (IFBPW), founded in Geneva Switzerland. Our major collaboration was with UNICEF themed, Children First and fundraising for the refugees in the camps, particularly for the Education of the children.</p>
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	<p>Worked with the Swedish International Development Agency (SIDA)... there I was involved with liaising with the then Ministry of Finance, later renamed The National Treasury, following reorganization of Government.</p> <p>SIDA Donor funding was channelled through the then Ministry of Finance for disbursement to the various sectors like Soil Conservation in the Ministry of agriculture, Ministry of Health... to name a few. It was challenging but fulfilling. Was granted a very short stint in SIDA Stockholm to get a feel and familiarization of how donor funding is formulated and disbursed and result expectations...</p> <p>I am still in contact with SIDA pursuing funding for the empowerment and capacity building for Women and Youth.</p> <p>- Former Board Member, Postal Corporation of Kenya (PCK)</p> <p>While at the Board also served as Chairperson, Finance Committee, and Chairperson Audit and Risk Management Committee.</p> <p>- Former Chairperson, Postal Corporation of Kenya Taskforce, successfully completed and Report of Findings and Recommendations handed over via Ministry of ICT.</p> <p>- Member of Institute of Directors</p> <p>I am still actively involved in my Entrepreneurial Journey focusing on Energy conservation and Power Quality, Business & Entrepreneurship Consultancy. Two years ago, together with a colleague we founded an African themed organization to spearhead and realize exchange of empowerment of Women and Youth ideas, particularly to collaborate within the Continent. There is huge potential in Africa which is fast becoming the next Frontier.</p> <p>Lastly but not least I am currently enrolled and pursuing an MSc Project Management in Salford university at Robert Kennedy College in Zurich, Switzerland. This is in order to enhance my projects management skills.</p>
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

<p>7. Yunis Ibrahim Sheikh</p>  <p><i>14th April 2022 to Date</i></p>	<p>Mr. Yunis Ibrahim Sheikh was appointed Trustee of Commodities Fund (ComFund) effective from 14th April, 2022. He was born on 1st April 1982.</p> <p>Mr. Sheikh is a holder of Postgraduate Diploma in Law, Kenya School of Law (Advocates Training Programme) and Bachelor of Laws (LL.B) (Hons.), University of Nairobi.</p> <p>He is also a holder of MSc. in Health Systems Management (Kenya Methodist University) and Bachelor of Medical Science Laboratory Services (Jomo Kenyatta University of Agriculture & Technology).</p> <p>He is a Partner at Yunis, Osman & Mwiti Advocates and he is a former Board Member Tourism Finance Corporation.</p>
<p>8. Mr. Joseph Kirubi</p>  <p><i>24th February 2022 to 24th July 2023</i></p>	<p>Mr. Joseph Kirubi was appointed the Alternate Member of the Board of Trustees of Commodities Fund with effect from 24th February 2022 and left on 24th July 2023. He is Alternate Director to the Principal Secretary, State Department for Crops Development, Ministry of Agriculture and Livestock Development.</p> <p>Mr. Kirubi is Career Civil Servant who has served as an Administration Officer since graduating from the University of Nairobi with a Bachelor of Arts (Hons) in 1985. He started as an Assistant Secretary 11 before serving in Provincial Administration field services and later served in Ministry Headquarter providing Administration Services rising through the ranks to Secretary Administration. He also served as Head of Secretariat/CEO for Uwezo Fund.</p>

9. Ms. Edith Wanjiku Kimani



From 9th June 2023 to date

Ms. Edith Wanjiku Kimani was appointed as an Independent Trustee of Commodities Fund effective 9th June 2023. She was born on 9th May, 1980. She is a holder of Masters in Business Administration (International) from Edith Cowan University Perth, Australia and a Bachelor of Business (Hotel Management) from Australian International Hotel School Canberra. She is a full member of Kenya Institute of Management (KIM).




Edith is a highly qualified civil servant having served as the first Chief Officer Trade, industrialization, Cooperatives and Tourism- Nakuru county. During her tenure, she was instrumental in setting up structures that could be used in the county by successive county government officials. She ensured the smooth relocation of traders to better business environment and was influential in incorporating creative economy in the County's youth programs. She also pioneered putting Nakuru City on the global map as a tourist destination #VisitNakuru at the inception of devolution.



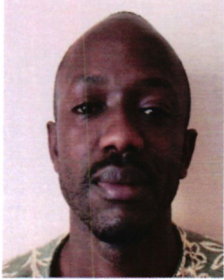

Ms. Kimani is a well-versed as in public administration having undertaken numerous professional trainings by government, International and Private institutions including but not limited to Strategic Public Relations Management, World Bank Group; Investment Policy Training, Winning FDI, World Bank Group; Strengthening Counties to attract FDI in Counties, National Training Program on Procurement Fundamentals, for Non Procurement Professionals in Public Sector, Senior Management Course and Senior Leadership Development Program. She also served as the Secretary of the County Kenya Chief Officers Caucus (CKCOC) from 2013-2017.




Previously, she has been a Director in the Hospitality & Tourism industry. Subsequently, a philanthropist consultant in the same industry.

4. MANAGEMENT TEAM

The ComFund's day-to-day management is under the following key team:

<p>1. Ms. Nancy Chelangat Cheruiyot, FCCA</p> 	<p>Area of Responsibility: Managing Trustee from 1st February 2022</p> <p>Academic Qualification: MBA-Financial Management, Bachelor of Arts - Economics & Sociology.</p> <p>Professional Qualification: ACCA. Doctor of philosophy in Business Administration (on-going).</p>
<p>2. Mrs. Jane K. Ndungu</p>  <p><i>24th February 2022 to Date</i></p>	<p>Area of Responsibility: Ag. Managing Trustee (Accounting Officer) effective 9th February 2022 to 31st January 2023.</p> <p>Academic Qualification: Bachelor of Science (Agriculture) and Master of Science in Crop Protection</p> <p>Professional Qualification: Senior Leadership Development Programme (SLDP), Senior Management Course (SMC)</p>
<p>3. Ms Roseline Wambura</p> 	<p>Area of Responsibility: Credit.</p> <p>Academic Qualification: Bachelor of Commerce, MBA Project Management</p> <p>Professional Qualification: ACCA- ongoing.</p>

<p>4. Mr. Silas Nyaga</p> 	<p>Area of Responsibility: Finance and Accounting.</p> <p>Academic Qualification: MBA- Finance (KU) Bachelor of Commerce in Accounting (KU)</p> <p>Professional Qualification: CPA (K), CPS.</p> <p>Professional Membership: Full Member of Institute of Certified Public Accountant of Kenya</p>
<p>5. Mr. Nesline Gechuki Okiko</p> 	<p>Area of Responsibility: Legal Services.</p> <p>Academic Qualification: Bachelor of Law.</p> <p>Professional Qualification: Diploma in Law.</p>
<p>6. Mr. Job Kibaara</p> 	<p>Area of Responsibility: ICT.</p> <p>Academic Qualification: Bachelor of Science in Information Technology (Distributed Systems)</p> <p>Professional Qualification: CCNA, IMIS Diploma, IMIS Higher Diploma, MCSE, QMS lead Auditor</p>
<p>7. Mr. Tomno Kibichii</p> 	<p>Area of Responsibility: Supply Chain.</p> <p>Academic Qualification: Bachelor of Arts, MSC Procurement & Logistics (JKUAT).</p> <p>Professional Qualification: MCSIPS.</p>

<p>8. Ms. Rose Ndiritu</p> 	<p>Area of Responsibility: Human Resources & Administration.</p> <p>Academic Qualification: MBA – HR (KU), Bachelor of Education (Arts) KU,</p> <p>Professional Qualification: CHRP, Higher Diploma HR (KNEC)/IHRM Certified Public Secretary-CPS (K), Certified Professional Mediator</p> <p>Professional Membership: Full Member of Institute Human Resources Management with Practising Certification</p>
<p>9. Mr James Singa</p> 	<p>Area of responsibility: Corporate Communications</p> <p>Qualifications: MA in Communication Studies (UoN); First Class Bachelor’s degree in Communications/ Media Technology (Maseno University); Certificate (Distinction): Senior management Course (Kenya School of Government); Certificate: Web 2.0 and social media (EU-ACP); Certificate: Corporate Governance (Centre for Corporate Governance); Certified ISO systems internal Lead Auditor (Bureau Veritas).</p> <p>Professional bodies: Full Member; Public Relations Society of Kenya.</p>
<p>10. Mrs. Jane Kimani-Njenga</p> 	<p>Area of Responsibility: Debt Recovery, Corporate Planning & Strategy.</p> <p>Academic Qualification: MBA- Strategic Management (University of Nairobi), Bachelor of Education- Arts (Egerton University)</p> <p>Professional Qualification: Advanced Diploma (Associateship) in Banking & Financial Services</p> <p>Professional Membership: Associate of Kenya Institute of Bankers (AKIB)</p>

5. CHAIRMAN'S STATEMENT

5.1 Introduction

It is with great privilege that I feel honored to present the Commodities Fund's Annual Report and Financial Statement for the year ending 30th June 2023 a financial year that Kenya and the world continued with post-Covid-19 economic recovery. Also, during the financial year, Kenya held national elections, successfully & peacefully transitioning the government. The Commodities Fund continued to fulfil her mandate to finance the crops sector in Kenya.

5.2 Post COVID-19 Environment, Year of Elections, Ukraine war

Together with holding national elections, the financial year under review coincided with the world undergoing through post Covid-19 economic recovery. In addition, the world was in its second year in the ongoing Russia-Ukraine war, which, according to the economic Survey 2023, disrupted the supply chains.

As a result, Kenya's national economy, just like the global and regional economic performance, experienced depressed performance, expanding by 4.8% in 2022, compared to 7.6% in 2021, which World Bank Group report (2022) attributed to short-term headwinds, the slowdown in the global economy, lingering effects of the pandemic, higher inflation and ongoing supply disruptions due to impacts of the war in Ukraine.

5.3 Economic Performance: Agriculture Sector

Kenya economic posted a reduced performance of 4.8% growth rate in 2022, compared to 7.6% in 2021, supported by service sectors. Agriculture sector accounted for 21.2% of the GDP, despite posting depressed performance of 1.6% (Source: Economic Survey 2022). The slow growth was occasioned by various agriculture sub-sectors recording mixed performance: Sugar and coffee national production grew, as tea posted a marginal decline.

Nevertheless, with expected easing of inflation, I am hopeful that the resilience of Kenya's economy will support not only the ability of Commodities Fund's loanees to service their loan facilities, but open new frontiers for business growth, as the agriculture sector continues to recover.

5.4 Strategic Plan (2018-2023)

At the end of the Financial Year, the implementation of ComFund's 2018-2023 strategic Plan came to an end. A review of the plan indicated that there was good progress in attaining the strategic objectives that had been set to be achieved within the five-year period on the areas of Resource mobilization, Partnerships, prudent credit management, legal and regulatory framework, price stabilization, capacity building as well as operational efficiency.

5.4.1 New strategic direction

The Fund was in the process of developing the plan for the next five years (2023-2028), with key focus expected on mobilizing resources to support existing and new crop commodities (which have no dedicated funding), as per the mandate of the ComFund, strengthening the legal and regulatory framework, while actualizing the operationalization of the Price stabilization mechanism.

5.4.2 Financing new Sub-sectors

In line with the Strategic Plan's objective to expand operations to new agricultural Sub-sectors, the Commodities Fund got government approval to its proposal to establish financing for Cashew nuts, which is to be operationalized during the 2023/2024. The Fund will continue to seek for resources to expand its portfolios as per its mandate, to further avail financing to scheduled crops.

5.5 Agricultural regulatory and Policy framework

As mentioned in 4.1, one of the key legal gaps affecting the operations of the Fund is its corporate status, in that, it is not legally established as a corporate entity. To remedy this, the Fund has proposed a Commodities Fund's Bill. My Board shall continue engaging with various key stakeholders to ensure that the Fund is in a sound corporate legal status, to effectively support its mandate to finance the crops sector in Kenya.

5.6 Corporate performance overview

As part of fulfilling its mandate, during the financial year under review, an prohibitive directive from the then parent ministry cabinet secretary (to seek for concurrence for each of the loan facility approved by the Fund) was lifted, thus reducing the long turnaround time to process loan requests. As a result, the Fund increased loan disbursements to KShs. 430 Million compared to Kshs. 259 million that was disbursed in 2021/22, while collecting Kshs. 456 Million. During the year, the Fund had a surplus of Kshs. 30 million.

I am optimistic that the Fund will remain profitable.

5.7 The Board Composition

During the year under review, Mr Duke Mainga Ondiba Echate was appointed as the chairman of the Board of Trustees following the revocation of the appointment of then chairman, Danson Mwangi Ngaari. Also the term of Doreen Kanana Mutua as a member of the Trustee's board, ended. In addition, Ms. Nancy Chelangat Cheruiyot, FCCA substantively assumed the office of the Managing Trustee/ CEO, as Jane Kahithe Ndung'u who had been seconded to act in the stead from the parent Ministry, was recalled.

The Board membership is as set out on page ix-xiii.

5.8 Challenges

The Fund continues to experience shortage of financial resources to enable it expand its services to more sub-sectors. I am hopeful that going forward the Government will avail more funds. At the same time, the ComFund will continue seeking strategic partnerships to supplement internal resources to grow its portfolios.

Also, the overall performance continues to be hindered by the legal gaps in the Crops Act 2013, key among them being the Fund's weak 'corporate' status as defined in law. In order to address this, working hand in hand with the parent ministry, the office of the Attorney general, the Council of Governors and other key stakeholders, the Fund has proposed legal redress through the proposed ComFund Bill.

5.9 Conclusion

During the Financial year the Cabinet Secretary (Ministry of Agriculture and Livestock Development and his Principal Secretary (State Department for Crops Development and Agricultural Research) provided an enabling environment that has made it possible for the Fund to continue to carrying out its mandate. I look forward to a continued support from our parent Ministry.

Also, I extend my gratitude to the National Treasury (and by extension the Government), for the support, advice and facilitation that my Board and the Commodities Fund continue to receive. I am thankful for the support and goodwill from all our stakeholders. Lastly, I appreciate my fellow Trustees, the management and the members of staff for their dedicated efforts towards achieving the ComFund's mandate to finance the crops sector in Kenya.



MR. DUKE MAINGA ONDIBA ECHATE
Chairman, Board of Trustees
Commodities Fund

6. REPORT OF THE MANAGING TRUSTEE

6.1 Introduction

It is with great pleasure that I present the financial performance of Commodities Fund for the year ended 30th June, 2023.

The financial year ended on a optimistic note, with the national economy stabilizing, despite poor performance by agricultural sector. However, on a positive note, a growth of 1.6% in 2022 as compared to -0.3% in 2021 is an indication that the sector is on its way to recovery. Furthermore, a 21.2% agricultural sector contribution to the national economy points to the justification why Kenya Kwanza government has emphasized on continued investment to the agriculture as among sectors with highest short term returns, producing much need job opportunities, increase farmer incomes and foreign exchange earnings, which in turn will spur economic recovery and growth.

Despite the external challenges brought about by the Covid-19 pandemic, issues associated with ongoing Russia - Ukraine war as well as (internally) lack of corporate status, lack of lending capital for other scheduled crops and a few challenges in recovering some old non-performing loans inherited from two former Funds, the Commodities Fund was able to perform well in its Financial Year Strategic objectives, including disbursement and recovery of advanced credit facilities with support of its stakeholders, and with guidance from the Board of Trustees.

6.2 Financial Performance

During the period under review, income declined by 8 % to Kshs.369 million from Kshs.402 million recorded in 2021/22. This is attributed to low loan disbursement in the last two years when the Fund was restricted from disbursing loans by the parent. Recurrent financial support from government also declined by 25 % to Kshs.40 million from a total of Kshs.50 million received in 2021/2022.

Our operational expenses in the financial year under review amounted to Kshs. 260 million before provisions for bad and doubtful (compared to Kshs.262 Million incurred in 2021/2022, representing a decreased of 1%. The reduction is attributed to vacant position in the establishment.

During the year, the loan loss provision declined to Kshs.78 million compared to Kshs 82 million incurred in 2021/2022. Included in provisions is Kshs.10 million in regard to the Kshs. 40 million owed to Fund by the parent Ministry.

The Fund ended the year 2022 with a surplus totaling to Kshs.31 million compared to Kshs 58 million in 2022/2023.

Total assets grew by 2% to Kshs.3,428 million from Kshs. 3,373 million reported in the financial year 2021/21. The growth is attributed to loan portfolio.

6.3 Credit Portfolio

The ComFund's managed coffee, sugar and coconut loan portfolios targeted at supporting production, processing and value addition. Even though the agriculture sector posted slow growth,(from -0.3% in 2021 to 1. 6% in 2022), Coffee and sugar sub sectors posted an increased production (as tea sub-sector declined).

For instance, sugarcane deliveries increased from 7.8 million tonnes in 2021 to 8.7 million tonnes in 2022, largely on account of favourable weather conditions in sugarcane growing areas. Coffee production increased from 34.5 thousand tonnes in crop year 2020/21 to 51.9 thousand tonnes in

crop year 2021/22, partly attributed to conducive weather conditions in the coffee growing areas and improved crop husbandry.

On the other hand, Tea production decreased from 537.8 thousand tonnes in 2021 to 535.0 thousand tonnes in 2022 on account of depressed rainfall in tea growing areas. Volume of horticultural exports decreased from 405.5 thousand tonnes in 2021 to 392.0 thousand tonnes in 2022.

Nevertheless, there was general increase in earnings from the three commodities: Earnings from coffee increased from KSh 18.6 billion in 2021 to KSh 27.3 billion in 2022, supported by increased quantity of marketed coffee despite lower coffee prices, while earnings from tea increased by 24.3 per cent from KSh 126.1 billion in 2021 to KSh 156.7 billion in 2022 due to higher prices. Earnings from sugarcane increased from KSh 28.4 billion in 2021 to KSh 39.3 billion in 2022.

I am hopeful that the potential shown through increased production in sugar and coffee sub-sectors will grow even further, with sustained financing from the Commodities Fund. Also, it is my hope that the long outstanding historical debts owed by the sub-sector such as sugar through the public millers will be addressed and settled.

In our continuance to fulfill our mandate to provide affordable financing to coconut, coffee and sugar subsectors, Commodities Fund disbursed a total of Kshs. 430 million which comprised of: Kshs.190 million and Kshs.240 million to sugar and coffee sub-sectors respectively. In addition, Kshs.0.36 million was disbursed to coconut sub-sector. The funds were meant for Farm inputs, Crop Establishment, Processing and Purchase of Machinery geared towards increasing coffee, Coconut and Sugar productivity. On repayment of the advanced credit, During the Financial year, the Fund recovered loans amounting to Kshs. 456 million comprising of Kshs. 193million and Kshs. 263 million for sugar and coffee sub-sectors respectively. Additionally Kshs.0 .53 million was received from Coconut.

The greatest challenge remains collection of the non performing historical loans the bulk of which is held by sugar sector and not secured by tangible securities but floating debentures. The Fund has been seeking for debt write off for the non-performing loans from the National Treasury through our Parent Ministry. The request for write off is in line with Section 69 of the Public Finance Management Act 2012 and section 145 of the regulations

6.4 Human Capital

The ComFund recognizes that its human capital is core to achieving its mandate. As such and in addition to rewarding careers, the ComFund offers opportunities for leadership building and skills enrichment through various development programs, on-the-job training and structured personal career growth.

The ComFund upholds good citizenship practices by adhering to disability and gender mainstreaming as well as continually striving to be the employer of choice. The ComFund will continue to use the balanced score card as tool to measure employees performance. In addition, the Fund will continue engaging with relevant institutions to have its corporate status resolved, in order to seek for an approved institutional structure that motivates the members of staff.

6.5 Risk Management and Internal Controls

The Board of Trustees has overall responsibility for the establishment and oversight of the ComFund's risk management frameworks. The ComFund's Risk Management Policies are

established to identify and analyse the risks faced by the ComFund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the ComFund identifies and manages risk through in-house risk review enhanced by internal and external audits. The ComFund has in place a system of internal controls with defined procedures and financial and operational controls to ensure that resources are safeguarded; transactions authorized, validated and reported in line with International Financial Reporting Standards.

During the Financial year, the Fund undertook internal audits every quarter on the effectiveness of its internal controls in managing the identified risks, which in turn informed the Board of Trustees in offering policy guidance to the management on the Fund's operations. In addition, as a statutory requirement, the ComFund was also externally audited by the Office of the Auditor General.

6.6 The ISO 9001:2015 certification

The Commodities Fund's ISO 9001:2015 certificate lapsed in 2019/20 financial year. As a result, a process for re-certification was initiated. By the end of the Financial Year, though it was not yet complete, it was at an advanced stage. As part of the process, the Fund has reviewed its quality Management Framework and policy, documented its processes in various functions, established a risk register, and identified various stakeholders, together with their service delivery needs. The scope of the Quality Management System under the re-certification has expand, given that the Commodities Fund has opened regional offices, which had not been factored in, in the earlier certification. In addition, the funding portfolios have grown into three, after establishment of Coconut Fund. The lapsed certification had covered only two portfolios: Coffee and Sugar, and it excluded regional offices in its scope of coverage.

During the Financial year, the ComFund undertook an internal audit to gauge the level of preparedness, and identify gaps in its QMS, in preparation for the final external audit and attaining the ISO certificate.

It is expected that the re-certification shall be concluded in the next financial year, so that the Commodities Fund can demonstrate to all its stakeholders and partners the continued quality of its service delivery, guided by ISO 9001:2015 Quality Management System.

6.7 Corporate Social Responsibility

Corporate Social responsibility has become an integral part of undertaking organizational mandate. Recognizing that the Commodities Fund is a Responsible Corporate Citizen, the Fund continued implementing its CSR programs, guided by the CSR policy, government directives and other needs as identified by the management. The Fund's CSR programmes are carried in a manner that not only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates in, and especially, considering the social well-being community and public it serves, while promoting national values, national cohesion and human dignity. *(See the detailed CSR report under the environmental and sustainability reporting statement)*



Nancy Chelangat Cheruiyot, FCCA
Managing Trustee/C.E.O

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2022/2023

Commodities Fund has seven (7) strategic pillars and objectives within its Strategic Plan 2018-2023 upon which its annual work plans are based. These are:

- Pillar 1: Resource Mobilization**
- Pillar 2: Credit Management**
- Pillar 3: Legal and Regulatory Framework**
- Pillar 4: Price Stabilization**
- Pillar 5: Capacity Building and Partnerships**
- Pillar 6: Operational Excellence**
- Pillar 7: Organizational Capacity.**

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- Pillar 4: Price Stabilization**
- Pillar 5: Capacity Building and Partnerships**
- Pillar 6: Operational Excellence**
- Pillar 7: Organizational Capacity.**

Assessment of the Fund's performance against its annual work plan is done on a quarterly basis. The *Fund* achieved its performance targets set for the FY 2022/2023 period, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Resource Mobilization	To mobilize Kshs 1.25 billion by 2023 to finance scheduled crops	Funds mobilized	Prepare funding proposals aligned with the key government priorities.	The Fund sought funding through preparation of funding concept notes for development of the sugar subsectors. During the FY 2022/23, the Fund was allocated by GoK Kshs 75 million (Kshs 20 and Kshs. 15 million for coconut and Cashew nut subsectors respectively and Kshs 40 million for recurrent expenditure). The Fund Received Kshs. 71.4 of the amount during the year.
Credit Management	To reduce the loan turnaround time (from 2 months to 3 weeks for repeat and 3 months to 1 month for new customers)	Reduced turnaround time	i. Communicate the loan application window calendar to farmers ii. Collaborate with stakeholders to gather farmers' data	i. The Regional offices communicated to coffee and sugar clients on loan application windows ii. The Fund collaborated with the Commissioner of Cooperatives, Marketers and Cooperative Societies. iii. Implementation of the Service Level Agreements (SLAs) was undertaken within departmental

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

			e.g Sacco, Millers etc iii. Implement Service Level Agreements (SLAs)	functions and quarterly adherence reports prepared.
	To grow the loan portfolio from Kshs 7.8 billion in 2018 to Kshs 19.1 billion by 2023	Disburse Kshs 585 million to coffee, sugar and coconut subsectors	i. Develop and implement marketing strategy and plan ii. Expand and strengthen regional presence	Kshs 430.2 million was disbursed to the players in the sugar, coffee and coconut value chains against a target of Kshs 443.3 million . The negative variance of Kshs 13 million was attributed to approved facilities that were awaiting security perfection.
	To reduce NPLs from 70% in 2018 to 20% by 2023	Reduced PAR	i. Classify loanees as per the NPLs restructuring policy ii. Negotiate with loanees on new terms of repayment iii. Forward loan defaulters to the CRB system iv. Crystalize of loan security	The PAR for coffee and sugar loan portfolios were 58% and 74% respectively. The target was 20% and 25% for the coffee and sugar portfolio in the period under review. Debt Recovery Unit continues to engage loanees with Non-Performing Loans with the view of having the accounts rescheduled and loan repayment agreements executed.
Legal and Regulatory Framework	To have a supportive legal framework	Revised Crops Act	Follow up with the Ministry on the need for legislative reforms and involvement of the Attorney General in the pursuit	The fund successfully drafted the Commodities Fund bill to remedy the weaknesses inherent in the Crops Act in matters pertaining to the operationalization of Commodities Fund.
Price Stabilization	To facilitate the reduction of commodities' price volatility	No of contracts entered into	i. Link up with providers of agricultural markets information ii. Share market price information on USSD platform, and Fund website and publications	The Fund continued to play an integral role in the MoALF&C established taskforce to development of price stabilization framework mechanisms for coffee and sugar subsectors.

Capacity Building and Partnerships	To build borrowers capacity in Financial Management, Crop husbandry and Governance	Increased farm productivity and loan repayment	i.Develop capacity building programs in consultation with stakeholders	ComFund developed a capacity building program and incorporated in the work plan and Performance contracting targets for the financial year 2022/2023. Conducted training of four hundred (400) coconut sub sector value chain players in Kilifi, Taita Taveta, Tana River and Kwale Counties.
Operational Excellence	To reduce the operational cost to revenue ratio from 117% in 2018 to 88% by 2023	Increased efficiency	i.Automate business processes ii.Train staff and customers on use of ICT systems iii.Sensitize customers and implement the service charter iv.Develop departmental annual work plans and budgets v.Align work plans with budget allocation vi.Management of outsourced services	i.The automation of business processes is ongoing. ii.Continuous training of staff on web-based modules such as loan and performance appraisals is ongoing for all the staff. iii.Sensitization on the customer service charter was done during stakeholders forums. iv.Departmental annual work plans and budgets for 2022/23 were developed within the stipulated guidelines. v.Security and Courier services are outsourced at the Head Office.
Organizational Capacity	To attract and retain skilled, motivated and productive staff	Increased productivity	i.Undertake Training Needs Assessment (TNA) ii.Develop a training plan iii.Undertake training as per training plan iv.Set individual targets based on the departmental work plans	i.Training Needs Assessment for the year was undertaken. ii.Training Plan for 2022/23 was prepared and implemented during the year. iii.The Fund trained twenty eight (28) staff members.. iv.Individual Performance targets were set based on the departmental work plans for 2022/23 financial year. v.Staff performance appraisals were conducted within the stipulated timelines
	To enhance good corporate governance practices	Competent and compliant Board	i.Undertake corporate governance training for Board and senior management ii.Implement Mwangozo guidelines	i.The majority of the Board of Trustees have been trained. ii.Mwangozo guidelines were implemented. iii.The Board committees were properly constituted and quarterly virtual /physical Board meetings were conducted as scheduled.

The Fund's performance contract deliverables for FY 2022/2023 were drawn from the strategic plan and cascaded to the departmental and divisional heads for implementation. The progress reports are submitted to the Board of Trustees on a quarterly and annual basis.

8. CORPORATE GOVERNANCE STATEMENT

Corporate governance defines the process and structure used to direct and manage the business affairs of Commodities Fund with the aim of enhancing corporate accounting and stakeholders long term value. The Board of Trustees is responsible for the governance of the Fund and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. To this end the Fund has put in place, Board and Committee charters, processes, systems, practices and procedures which are frequently reviewed and updated embracing the changing corporate environment and world trends.

8.1 Board of Trustees

The names of Trustees who served during the year are set out on pages x to xv. The Board fulfils its fiduciary responsibility to the Government and other stakeholders by maintaining control over the strategic, financial, operational and compliance issues of the Fund. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Managing Trustee to conduct the day-to-day business of the Fund.

The Board of Trustees consists of five independent members (including the Chairman) , two government representatives representing the National Treasury and the Ministry of Agriculture and Livestock Development and the Managing Trustee who is the secretary to the Board. Trustee members possess extensive experience in a variety of disciplines in business and financial management, all of which are applied in the overall management of the Fund. The Board meets at least once every three months and has a formal schedule of matters reserved for it.

8.2 Trustees Appointment and Succession Planning

The Commodities Fund Trustees are appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture and Livestock Development as required by Crops Act, 2013, (Section 9) and amended in 2016. Appointment of trustees is staggered to ensure continuity of the Board. Members of the Board are removed from office by gazette notice from the same appointing authority. The Managing Trustee is formally appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture and Livestock upon recommendation by the Board of Trustees.

8.3 Board Induction and Training

New Trustees to the Fund are inducted to office by existing Trustees and the Management and there after trained in corporate governance. Further, all Trustees are trained in areas that enhance their performance in the committees and the Board.

8.4 Board Performance Evaluation

The Chairman conducts evaluations of the performance of the Board, individual Trustees and Board Committees annually. In addition, the Board and its Committees undertake an annual evaluation of their performance and report their findings and any resulting recommendations to

the Board. The Board also undertakes an evaluation of the performance of the Chairman. The Board discusses the results of its evaluations and uses the process to constructively improve its effectiveness.

8.5 Credit and Business Development Committee

The committee is mandated to review and make recommendations on the Fund's credit policies, oversight of the overall lending policy of the Fund and deliberate and consider loan applications that are beyond the threshold of Management Credit Committee. The committee also reviews and considers all issues that may materially impact the present and future quality of the Fund's credit risk management function as well as the quality of the loan portfolio and ensure adequate bad debt provisions are maintained in line with the internal guidelines of the Fund. The committee also reviews, approves and monitors the management's compliance with applicable Fund policies and other relevant statutes.

8.6 Finance, Human Resources and General Purposes Committee

The committee is mandated to review and make recommendations on the Fund's financial and accounting policies, review and make recommendations on the Fund's Annual Budget, review and make recommendations on financial reports of the Fund. Further, the committee reviews the performance of the Fund as well as that of the Managing Trustee and considers all issues that may materially impact liquidity of the Fund.

The committee is also mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the Board in discharging its corporate governance role by reviewing staffing needs of the Fund, appoints senior management staff, reviews training needs and undertake disciplinary measures as per the staff policies.

8.7 Audit Committee

The Committee is mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting. In addition to advising the Board on best practice, the committee also monitors management's compliance with relevant legislation, regulations and guidelines as well as the Fund's laid down policies and procedures.

The committee is responsible for overseeing the implementation of the Fund's risk management framework to ensure that all existing and potential significant risks are identified and effectively managed. The committee considers both internal and external sources of information regarding risks to keep abreast with new developments and their potential impact to the business. The committee receives periodic reports from the internal audit function relating to the Fund's identified risks.

8.9 Board Meeting Attendance

During the year 2022/2023, the number of meetings held by both Full Board and the committees are tabulated below:

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

No	Trustee Name	Full & Special Board Meetings			Credit & Business Development Committee			Finance, Human Resource & General Purpose Committee			Audit, Risk Committee & Governance Committee		
		Meetings Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meetings Attended	%	Meeting Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meeting Attended	%
1	DOREEN KANANA MUTUA	7	7	100	5	4	80				3	3	100
2	JULIUS KONES	8	8	100	6	6	100				4	4	100
3	JOSEPH KIRUBI	8	6	75	6	4	66.67	6	4	67			
4	THEODORA GICHANA	8	2	25				6	1	17			
5	YUNIS IBRAHIM SHEIKH	8	7	87.5	6	1	16.67	6	5	83.3			
6	ALICE KWAMBOKA	8	8	100	1	1	100	6	6	100	4	4	100
7	MARY NYACHAE	8	8	100	5	5	100	6	6	100			
8	JANE LIKIMANI	8	7	87.5	6	6	100				4	4	100
9	DANSON NGAARI	5	5	100	2	2	100	2	2	100	1	1	100
10	DUKE ONDIBA	2	2	100				1	1	100			

a) Trustees' Emoluments

The remuneration of Trustees is subject to the guidelines issued by Salaries Remuneration Commission and the Office of the President on terms and conditions of service for State Corporations. The Trustees are not eligible for membership of the pension scheme operated for the staff.

The following tables shows remunerative allowances to the Trustees in respect of scheduled meetings, trainings and conferences for the year ended 30th June 2023. The aggregate of expenditures including none-allowances expenditures is shown on note 12 to the financial statements.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

No.	Trustee Name	Category of the Trustee	Honoraria (Kshs)	Allowances (Kshs)	Other Benefits	Gross pay
1	Duke Mainga Ondiba	Chairman – Independent	372,143	2,243,636	359,965	2,975,744
2	Mary B Nyachae			1,003,000	186,764	1,189,764
3	Jane Likimani	Independent		961,000	141,729	1,102,729
4	Mr. Joseph Kirubi	Rep- PS, Ministry of Agriculture and Livestock, Development		832,800	89,075	921,875
6	Ms. Doreen Kanana Mutua	Independent		1,867,552	154,949	2,022,501
8	Danson Ng, aari	Chairman – Independent	577,534	2,840,601	598,541	4,016,676
9	Hon. Dr. Julius Kipyegon Kones	Independent		2,480,830	156,749	2,637,579
10	Ms. Alice Nyariki Kwamboka	Rep- PS, The National Treasury		999,000	105,285	1,104,285
11	Mr. Yunis Shiekh	Independent		1,439,000	309,679	1,748,679
12	Ms. Theodora Gichana	Rep- Inspectorate of State Corporations		66,000		66,000
			949,677	14,733,419	2,102,736	17,785,832

b) Related Party Transactions

There have been no related party transactions, pecuniary transactions or relationships between the Fund and its Trustees or Management except those disclosed under note 29(c) to the financial statements.

BUSINESS ETHICS

The Commodities Fund conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its customers, intermediaries, insiders, employees and other stakeholders are conducted at arm's length, with integrity and transparency. The business is conducted with high levels of transparency and accountability.

COMPLIANCE

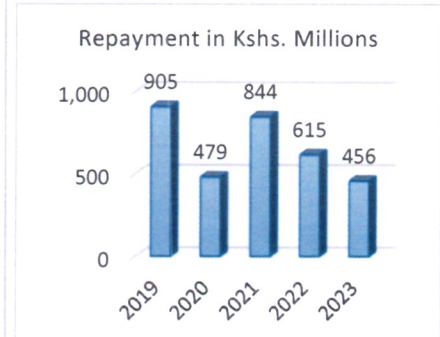
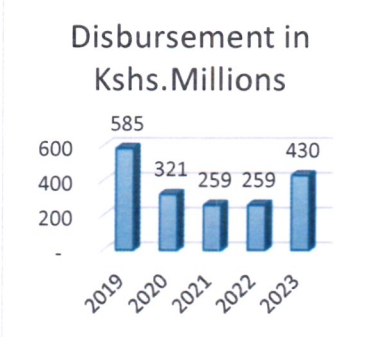
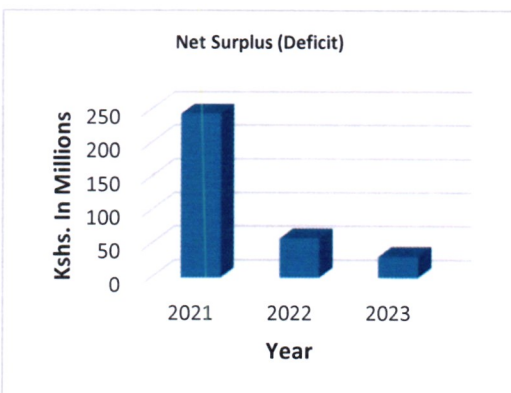
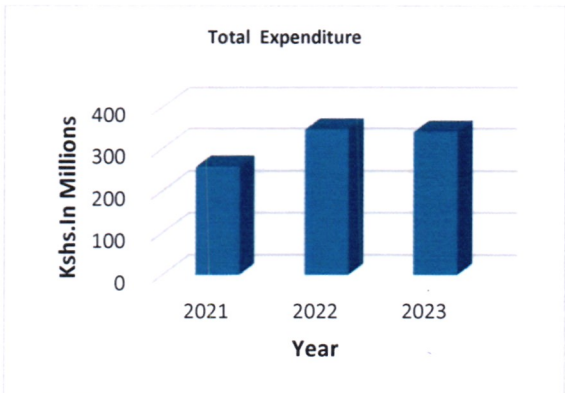
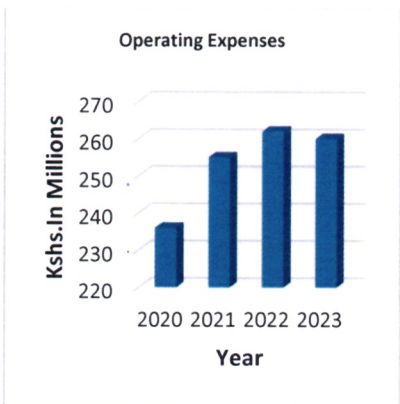
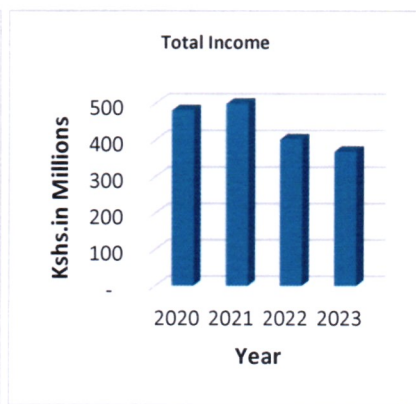
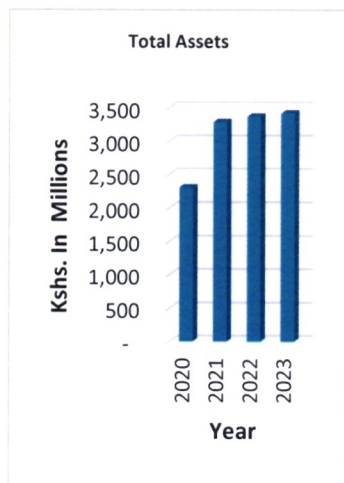
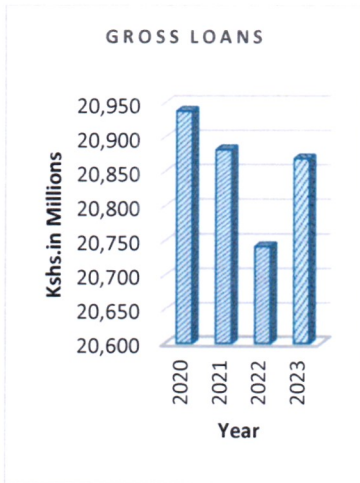
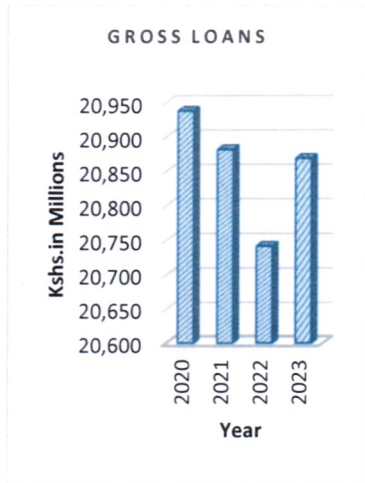
The Board provides oversight to ensure that management adheres to all applicable laws, regulations, governance codes, policies, procedures and systems to monitor and control compliance across the bank. Additionally, the Fund prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, 2012.



Mr. Duke Mainga Ondiba Echate
Chair Board of Trustees

Date14/12/2023.....

9. MANAGEMENT DISCUSSIONS AND ANALYSIS
Key Financial Parameters



Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

9.1 Highlight of Financial Performance

The Commodities Fund mandated is to provide sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops.

The Fund is currently financing coffee, sugar and coconut sub-sectors that have established a combined capital fund of Kshs. 15,346 million with corresponding gross loan portfolio amounting to Kshs.20,869 million. The coffee and coconut capital fund was grant from government while the Sugar Fund was built up from sugar levy previously collected by former Kenya Sugar Board. Cumulative provision for non –performing loans stood at Kshs.19,550 million leaving net loans amounting to Kshs.1,320 million compared to Kshs.1,260 million reported in 2021/2022. The growth is attributed to increased loan uptake.

Summarized Financial statement

Details	2020	2021	2022	2023
	Ksh'000'	Ksh'000'	Ksh'000'	Kshs '000'
Summarize Statement of Financial Position				
Gross Loans and Interest	20,937,864	20,881,585	20,741,759	20,869,255
Provisions on Non- Performing Loans	(19,992,830)	(19,399,662)	(19,481,441)	(19,549,631)
Net Loans and Interest	945,034	1,481,923	1,260,318	1,319,624
Other Assets	1,308,981	1,754,489	2,070,178	2,031,605
Property plant and Equipment	52,916	53,085	42,453	69,829
Total Assets	2,306,931	3,289,497	3,372,949	3,421,058
Total Liabilities	24,391	63,825	55,852	27,104
Net Assets	2,282,540	3,225,672	3,317,097	3,394,044
Capital Reserves	15,233,139	15,264,852	15,298,805	15,346,515
Revenue Reserves	(12,950,599)	(12,039,181)	(11,981,708)	(11,952,471)
Total Net Reserves	2,282,540	3,225,672	3,317,097	3,394,044
Summarize Performance Statement				
Income from Lending Activities	385,097	360,357	218,930	170,595
Income from Non-Credit Activities	95,488	89,870	113,593	153,102
Recurrent Grants from GoK		48,289	69,737	45,396
Total Income	480,585	498,516	402,260	369,093
Expenditure				
Operating Expenses	235,753	255,151	262,221	260,161
Increase /(Decrease) in Provision	327,092	(593,118)	81,779	78,190
Total Expenditure	562,845	(337,967)	344,000	338,351
Net Surplus (Deficit)	(82,260)	836,483	58,260	30,742

During the year, ComFund disbursed loans amounting to Kshs. 430 million broken down into Kshs. 240 million, Kshs. 190 million and Kshs.0.359million to coffee, sugar and coconut sectors respectively. This was 66% growth from Kshs. 259 million disbursed in 2021/2022.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

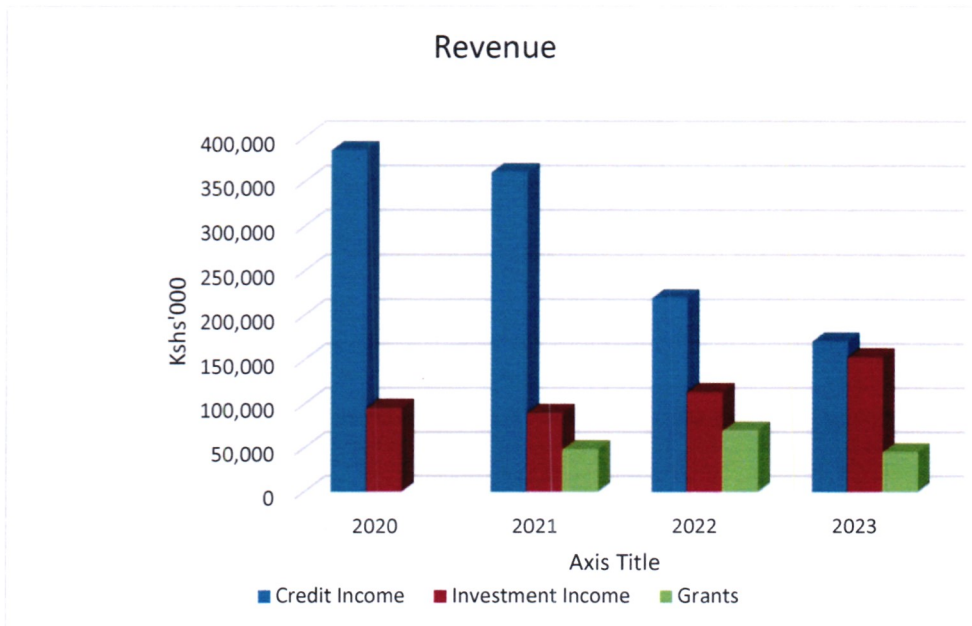
Total assets held by the Fund amounted to Kshs.3,428 million being 2% growth from Kshs.3,372 million reported in 2022.

Liabilities of the Fund amounted to Kshs.27 million being 52% drop from Kshs.56 million reported in 2022. Included in the liabilities is Kshs 15 million deferred grant income for cashew nut project that was received on 29th June 2023.

Revenues from core business of the ComFund recorded **22%** decline from Kshs.219 in 2022 to Kshs. 170 million in 2023. The decline is attributable to interest freezing on Non-performing loans on both Coffee and Sugar portfolio.

Other non-credit revenues grew by 35% to Kshs.153 million down from Kshs, 113 million posted in 2022. The growth was driven by high surplus cash that was available for investment and good rate

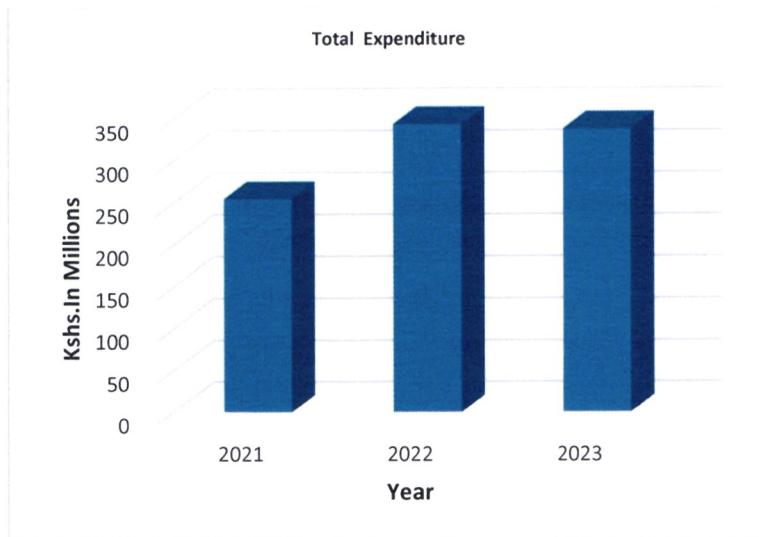
The recurrent grants declined by 35% income to Kshs.45 million down from Kshs.70 million reported in 2022. Included in the income was Kshs.5.3 million being recurrent portion of Coconut Revitalization Project.



The Operating cost of the Fund declined to Kshs 260 million from Kshs. 262 million reported in 2022 which was attributed vacant positions in the Fund. The total cost of the Fund inclusive of loan loss provision declined to Kshs.338 million from Kshs. 343 reported in 2022.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023



Cumulative Provisions for bad and doubtful debts (loans) increased by Kshs.68 million to Kshs. Kshs 19,549 million from Kshs 19,481 million reported in June 2022. Similarly, the Fund reported increase of Kshs. 82 million in 2022 with the cumulative provision increasing to (Kshs. 19,481 million from Kshs. 19,399 million).

Additionally, provision of Kshs.10 million was charged on a receivable of Kshs. 40 million owed to Fund by the parent ministry.

Net surplus of Kshs. 31 million was reported compared to Kshs. 58 in 2022. The declined surplus is attributed reduction of loans interest as a result of freezing interest on non-performing loans which have reached the set threshold.

9.2 On-going Project

The Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops commenced lending to coconut subsector in December 2020. The credit to the sector is administered under Coconut Revitalization Project which is funded by the National Government. The objective of the project is to provide appropriate credit facilities on timely basis and as per identified needs as well as provision of coconut seedlings to farmers. The total cost of project is Kshs. 1.0 billion broken into capital fund of Kshs. 812.50 million and recurrent expenditure of Kshs.187.5million. The project will run over five year period to 2025.

Additionally, the Fund had planned to commence lending to Cashew nut and Banana crops in 2022/2023 under Cashew Revitalization Project and Banana financing projects whose total costs are Kshs. 850 million and Kshs. 500 million respectively. However, the plan was not realized as development budget cut and funds that was earmarked for lending was not received.

9.3 Compliance with statutory requirements

The commodities Fund has fully complied with statutory requirement including filing and remittance of tax returns, deduction and remittance of various statutory returns and filing of financial statements with the office of Auditor General for audit.

9.4 Major Risks Facing the ComFund

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund's risk management frameworks. The Fund's Risk Management Policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the Fund identifies and manages risk through in-house risk review enhanced by internal and external audits. Major risks identified include:

i) Liquidity and Funding Risk

Liquidity risk is potential for loss to the Fund arising from its inability to meet obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Effective liquidity management is essential to maintain confidence of customers, suppliers and other stakeholders and to enable Fund's core business to continue even under adverse liquidity circumstances.

Mitigating Liquidity/ funding risk

a) Prudent planning

The Management has set systems in place to meet all foreseeable funding commitments as they fall due and the Fund will not face difficulties meeting its current and future financial obligations or financial liabilities as they fall due.

b) Budgeting

The Fund enters into lending agreements subject to availability of funds. Investments in major assets is preceded by budget and purchased when the Fund has sufficient cash flows.

c) Financial Controls

The Fund has in place a system of internal controls with defined procedures, financial and operational controls to ensure resources are safeguarded; transactions authorized, validated and reported in line with International Financial Reporting Standards.

d) Audits and Financial Reports

The Fund has established Boards Audit committee as well an internal audit office to ensure that its financial controls put in place are effective. In addition, as a public institution, the Fund is subject to public auditing by the office of Auditor general.

Periodically the Fund makes statutory reports to relevant offices, agencies and institutions, including the Board of Trustees, line ministry and the Treasury, as a financial control mechanism.

e) Stringent recovery of advanced credit

Management has been lobbying for funding from GoK and has come up with stringent lending conditions that ensures funds lent out is paid back to the revolving fund thus reducing the existing funding risk.

f) Lobbying for government Funding

Government of Kenya (GoK) was the source of capital funds currently used to finance the Coffee Sector. The funding of sugar sector is from the capital accumulated from Sugar levy that was abolished in July 2016.

Commodities Fund has continued to rely on government for new capital required to finance other commodities as well as to supplement its recurrent budget. The Fund has received government support from 2020/2021 thus mitigating against Liquidity risk. Further, the Fund has been seeking authority to write off non-performing historical loans so as to clean its book. The Fund has included request for compensation with interest accrued on above loans to enable it rebuild lending capital.

ii) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. Currently, the Fund is unable to collect substantial portion of the loan portfolio and accrued interest on both Sugar and Coffee sectors.

Mitigating credit risk

a) Credit policies

To this address this risk, the Fund has developed policies to ensure loans are granted to farmers with an appropriate credit history.

b) Loan Appraisal and evaluation

The credit department assesses the credit quality of each borrower, taking into account their financial position, past credit experience and other factors.

c) Debt collection

The Fund has engaged services of debt collectors to deal with some of the default cases.

d) Automating Risk management

Under the ERP credit module, the Fund has automated risk analysis as part of loan application and appraisal process, to identify threats that may lead to default and corresponding mitigation factors put in place to prevent such eventuality.

iii) Interest rate risk

Interest rate risk is potential of the Fund forced to charge unsustainable interest rate on its loan products in order to retain its customers and be seen to comply with the requirement of granting affordable subsidized loans to farmers.

Mitigating interest risk:

a) Unique loan features

The Fund has developed its loan products incorporating unique features that attract customers regardless of the interest aspects.

b) Growing the portfolio

Even as the Fund operates as a service (revolving) Fund, it is engaging in strategies to grow its loan portfolio. If the portfolio were large enough, it would be possible to operate in below the market interest rates, in its effort to fulfil its mandate of availing easily affordable loan facilities to farmers.

iv) Operational Risks

Operational risk is the potential of a loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can widely occur in Fund due to human errors or mistakes. Examples of operational risk may be incorrect information filled in during clearing or loan processing.

Operational risks may be further categorized as follows:

- Human risk: Potential losses due to a human error, done willingly or unconsciously.
- System risk: Potential losses due to system failures and programming errors
- Processes risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing.

Mitigating Operational risks:

The Fund is in the currently implementing an ERP that will integrate all its processes in order to mitigate the exposure to such attacks and errors.

9.5 Material arrears in statutory/financial obligation

The ComFund does not have any statutory arrears or any financial obligation to any government agency or lender.

9.6 Economic Overview

According to World Bank Kenyan GDP 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. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation. The fiscal deficit will narrow to 6.5% of GDP in 2022 and to 5.5% in 2023 with the resumption of the IMF-supported fiscal-consolidation and debt management program. The current account deficit is projected to widen further to 6.1% and 5.2% of GDP over the two years, attributable to higher fuel and food import bills. Downside risks could stem from the 2022 general election.

9.7 Sector

The ComFund's managed coffee, sugar and coconut loan portfolios targeted at supporting production, processing and value addition. The agricultural sector recorded mixed performance

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

in the year 2022. Growth in the agricultural sector decelerated from negative 0.4 per cent in 2021 to negative 1.6 per cent in 2022. This was largely occasioned by drought in most parts of the country that severely affected agricultural production.

Kenya's marketing year 2023/24 coffee production is forecast to increase 6.7 percent to 800,000 bags as coffee plantations in central and eastern growing regions recover from marketing year 2022/23 drought conditions. The Country has experienced good rains throughout all coffee growing regions, triggering robust flowering which is expected to result in higher yields during the October 2023 harvest. Marketing year 2023/24 yields are also expected to benefit from higher fertilizer application as the Government of Kenya (GOK) is currently providing fertilizer at a reduced price through a new fertilizer subsidy program. In December 2022, the GOK announced a subsidy program to smallholder farmers that offers a discounted price of Kshs. 3,500 (\$28) per 50kg bag to combat soaring fertilizer prices. Prior to this subsidy, fertilizer prices reached as high as Kshs. 6,000 (\$48) per bag. As smallholder farmers account for 85 percent of Kenya's production, this subsidy is expected to increase fertilizer application and improve yields across Kenya's coffee sector.

As at the end of June 2023 the sugar industry was facing an acute shortage of sugarcane attributed to lack of sufficient investments in cane development by millers due to uncontrolled harvesting outside respective catchment zones, unregulated collection centres. The growing number of new sugar mills in the Western region has aggravated the issue, as these mills have failed to adequately plan for cane supply. Consequently, the number of cane farmers has been declining while the number of factories has increased, leading to dependency on a small group of remaining cane farmers.

The removal of cane zoning by the Agriculture and Food Authority (AFA) has allowed factories to source cane from anywhere without regulation. As a result, the factories are now struggling to harvest enough cane, depleting the mature cane reserves and accepting anything that remotely resembles cane. Kenya's sugar production is expected to decline in the market year 2023/24 to 650,000 metric tons (MT) due to lower area harvested as Kenya farmers prematurely harvest sugar cane in market year 2022/23 to meet Kenya's increasing milling demand. This has led to a drastic decline in sugar production in the period January to June 2023 which has led to an increased demand to financing for Cane Establishment from the Fund since the cane takes between 20 to 24 months to mature.

I am hopeful that the potential shown through the need to increase production in sugar and coffee sub-sectors will grow even further, with sustained financing from the Commodities Fund. Also, it is my hope that the long outstanding historical debts owed by the sub-sector such as sugar through the public millers will be addressed and settled.

In our continuance to fulfill our mandate to provide affordable financing to coconut, coffee and sugar subsectors, Commodities Fund disbursed a total of Kshs. 430 million which comprised of: Kshs.190 million and Kshs.240 million to sugar and coffee sub-sectors respectively. In addition, Kshs.0.36 million was disbursed to coconut sub-sector. The funds were meant for Farm inputs, Crop Establishment, Processing and Purchase of Machinery geared towards increasing coffee, Coconut and Sugar productivity. On repayment of the advanced credit, During the Financial year, the Fund recovered loans amounting to Kshs. 456 million comprising of Kshs. 193 million and Kshs. 263 million for sugar and coffee sub-sectors respectively. Additionally, Kshs. 0.53 million was received from Coconut.

The greatest challenge remains collection of the non performing historical loans the bulk of which is held by sugar sector and not secured by tangible securities but floating debentures. The Fund

has been seeking for debt write off for the non-performing loans from the National Treasury through our Parent Ministry. The request for write off is in line with Section 69 of the Public Finance Management Act 2012 and section 145 of the regulations.

9.8 Future development

Commodities Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops will in the year launch Cashew Revitalization Project. The project will be funded by the National Government over a period of five years to a tune of Kshs.850 million broken down into Capital of Kshs. 680 million and recurrent of Kshs. 170 million.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT

Commodities Fund, as a Responsible Corporate citizen, understands the responsibility to ensure that its mandate is carried in a manner that not only brings about satisfaction to its stakeholders, but minding the proper management of the environment it operates in. In this, the ComFund's focus is to deliver financial services to the farming community in a manner that brings about client satisfaction in an efficient and effective manner, while caring for the environment that we operate appropriately and in a sustainable manner. To ensure this, we implemented the following organizational policies and activities:

i) Sustainability Strategy and profile

The 2022/ 2023 was the final year for the implementation of the the Commodities Fund strategic Plan, 2018-2023 cycle. By the close of the financial year, the Fund was developing the next strategic Plan, 2023-2028, which involved wide consultations and scanning of the environment that the organization operates in. The expected outcome of the process was to be a strategic plan anchored to implementing a strategic direction that takes into consideration need to care for the environment and sustainability.

As for the continuous duty of care, during the financial year, the ComFund was able to undertake various activities as indicated in (v) below.

ii) Environmental Performance

The Commodities Fund has a Corporate Social Responsibility policy enacted to guide the implementation of its environmental programmes. Based on this policy, during the financial year, ComFund identified need to support the tree planting initiatives and thus, distributed free coconut seedlings, while partnering/ sponsoring tree planting activities indicated in (iv) below.

iii) Employee Welfare

Management believes in creating an enabling environment where individuals work as a team towards achieving the success of the Fund. Employees are well guided and have a sense of direction which allows them to connect to each other as they are bound by a common mission and vision. To maintain this employee focus and commitment, administration of staff matters are guided by Human Resources Policies and Procedures which are guided by the Public Service Commission Policies on Management of Human Resource in the Public Service. The Funds HR Policies are also aligned to the provisions of the Employment Act 2007 (Revised 2020) and all other statutes.

Performance Management Process at the Fund plays a key role in ensuring optimum performance and utilization of its employee's skills. Employee training needs are identified through the process and appropriate initiatives undertaken to close any skills gaps. This way, the Funds employees remain competitive in their respective areas of expertise. To enhance professionalism and ensure employees are up to date on industry developments, the Fund encourages and sponsors employees into professional bodies membership.

The Fund maintains a conducive and safe work employments and strictly complies with Occupational Health and Safety Requirements. Further, Employees enjoy a comprehensive medical insurance cover, as well as Group Life Insurance Coverage, Personal accident and WIBA. This helps in maintaining a healthy workforce which contributes towards the overall performance of the Fund.

In respect to affirmative action initiatives, the Fund offers equal opportunities to either gender while recruiting, promoting, training etc. its employees. The current composition of staff is compliant with a third rule gender representation. Management is keen to having a workplace representing the face of Kenya when it comes to employee ethnicity.

iv) Market Place Practices

a) Responsible Competition Practice

The Fund has in place anti-corruption policy where it derives work plan of activities, and develops and submits quarterly reports to the Management/ Board and the relevant statutory bodies including EACC. The activities therein were part of the performance Contracting targets for the financial year.

In addition, The Fund has in place an HR manual (and respective Standard Operating Procedure (SOP) manuals) that guide on, among other areas, the conduct of its staff (including political and ethical behaviour) during and outside the work environment, with an expectation of political neutrality and ethical service delivery. As demanded by the manuals, every staff member signs a code of conduct upon entering in contractual obligation with the Fund. During the financial year, all the new staff members, including those in internship, who joined the Fund signed the said Code.

b) Responsible supply chain and supplier relations

During the Financial year, the Fund continued to demand disclosure from its service providers to adhere to acceptable ethical practices by signing relevant commitment forms during the engagement for procurement services.

Also, as part of promoting transparency in procurement processes, the Commodities Fund published all the advertised tenders on its website (www.comfund.co.ke) as well as on the Public Procurement Information Portal (PPIP) - www.tenders.go.ke. As a result, the Fund did not register any supplier complaint with regard to the tenders awarded. The ComFund commits to continue undertaking supply chain processes in a transparent manner.

c) Responsible Marketing and Advertisement

Commodities Fund has in place a communication policy and Standard Operating Procedure (SOP) manuals that guide on the applicable standards to be maintained when undertaking marketing and other media engagements. All advertisements and publicity engagements during the financial year were subject to these communication policy guidelines.

d) Product Stewardship

The Fund has continued to create awareness to the stakeholders on the available channels of feedback, customer inquiry or customer complaints with regard to its services or products, whenever they arise. During the financial year, the Fund received and successfully resolved six (6) customer complaints recorded with regard to services offered. In addition, the Fund availed information to the stakeholders on each and every of 34 (thirty- Four) requests for information/Inquiries received. As a result, the ComFund was rated 'excellent' (100% score) by the Commission for Administrative Justice (CAJ).

v. Corporate Social Responsibility/Community Engagements

During the financial year, within the framework of its CSR policy, the Commodities Fund identified and implemented programmes on two areas: Purchase and distribution of Coconut seedlings and partnership in tree planting projects.

These two activities were also undertaken as part of fulfillment of its environmental sustainability obligations of increasing the forest cover within the presidential directive to plant 15 billion trees in the next 10 years.

On tree seedlings sponsorship, the Fund partnered with Soy Constituency CDF to sponsor 11 (eleven) youth groups engaged in establishing tree nurseries, including purchase of water storage tanks, in a programme aimed at planting 15 million trees in the constituency in the next 10 years. During the launch of the programme, 500 trees were planted at Bakule centre.

Also, Commodities Fund purchased and distributed 3,645 coconut seedlings, benefitting coconut farmers in Kwale county (3,200 seedlings to Kwale coconut producers Cooperative Society) and Tana River County (345 seedlings to Kipini area groups: Shauri Moyo, Mume ni Kazi, Handakini and Ziwani groups).

In the next financial, the Fund intends to augment these programmes by targeting more beneficiaries.

11. REPORT OF THE TRUSTEES

The Board of trustees submit their report together with the audited financial statements for the year ended ending 30th June 2023 which shows the Commodities Fund affairs.

i) Principal Activities

The principal purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

ii) Results

The results of the ComFund for the year ended 30th June, 2023 are set out on page 1.

iii) Trustees

The Trustees who served during the year are shown on pages Viii- xiii. During the year, Mr, Danson Ngari was appointed as the Chair of the Board on 5th July 2022 but replaced seven months later by Mr. Duke Mainga Echate who was appointed as the Chair of the Board on 10th February 2023. Secondly, Trustee Ms. Doreen Kanana Mutua's three years tenure expired on 30th April 2023 and was replaced by Ms. Edith Wanjiku Kimani on 9th June 2023. Further, the Ag. Managing Trustee Mrs Jane Ndung'u who served as the Managing Trustee from 1st February 2022 on Acting Capacity from the Ministry was recalled back and replaced by Mrs. Nancy Cheruiyot on substantive capacity from 1st February 2023.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Commodities Fund does not fall in this category of institutions.

v) Auditors.

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

By order of the Board.



Ms. Nancy C. Cheruiyot
Secretary to the Board/CEO

Date: 14/12/2023

12. STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

The Trustees are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the *ComFund* for and as at the end of the financial year ended June 30, 2023. 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 *ComFund*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *ComFund's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *ComFund's* financial statements give a true and fair view of the state of *ComFund's* transactions during the financial year ended June 30, 2023, and of the *ComFund's* financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the *ComFund*, which have been relied upon in the preparation of the *ComFund's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the *ComFund* 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 *ComFund's* financial statements were approved by the Board of Trustees on 29th September, 2023 and signed on its behalf by:



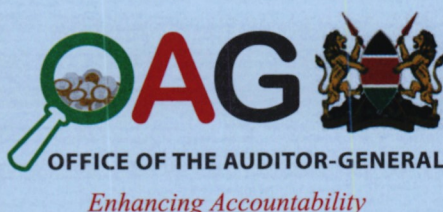
Mr. Duke Mainga Echate
Chair, Board of Trustees



Ms. Nancy C. Cheruiyot
Managing Trustee

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON COMMODITIES FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and 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 Commodities Fund set out on pages 1 to 45 which comprise the statement of financial position as at 30 June, 2023, and

Report of the Auditor-General on the Commodities Fund for the year ended 30 June, 2023

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Commodities Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Crops Act, 2013 (Amended in May, 2016) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Receivables from Exchange Transactions - Loans and Interest

The statement of financial position reflects long-term receivables from exchange transactions amounting to Kshs.970,881,000 and current portion of long term receivables from exchange transactions amounting to Kshs.348,743,000 all totalling to Kshs.1,319,624,000. The amounts comprises of gross loans totaling to Kshs.20,869,255,000 less provisions totalling to Kshs.19,549,631,000 as disclosed in Note 19 (ii) to the financial statements. Review of records revealed the following anomalies:

1.1. Variances in the Loans Due for Write Off

Included in the gross loans amount are loans due from five (5) sugar mills due for write off totalling to Kshs.12,335,763,897. Review of records revealed that the National Treasury vide letter dated 12 October, 2023 approved write-off of loans amounting to Kshs.13,167,893,786 resulting to a variance of Kshs.832,129,889 as shown below:

Entity	Approved for write off (Kshs)	Due for write off as per Commodities Fund Records (Kshs)	Variance (Kshs)
Nzoia sugar company	3,637,056,220	3,024,787,556	612,268,664
Chemilil Sugar Company	3,740,868,462	3,647,977,903	92,890,559
Muhoroni Sugar Company Limited	3,466,198,521	3,473,544,680	(7,346,159)
Miwani Sugar Company	1,820,525,811	1,686,123,254	134,402,557
South Nyanza Sugar Company Limited	503,244,772	503,330,504	(85,732)
Total	13,167,893,786	12,335,763,897	832,129,889

Report of the Auditor-General on the Commodities Fund for the year ended 30 June, 2023

However, the variance has not been explained and the receivables from exchange transactions have not been adjusted accordingly.

1.2. Long Outstanding Receivables

In addition, review of loan records revealed that thereceivables from exchange transactions amount includes Kshs.5,556,427,877, Kshs.726,190,316.96 and Kshs.6,386,234.60 for Sugar, Coffee, and Coconut respectively all totalling to Kshs.6,289,008,765 which have been outstanding for long. The recoverability of the amount could not be confirmed.

1.3. Unsecured and Inadequately Secured Loans

Analysis of Coffee and Sugar loan records revealed that loans totalling to Kshs.19,026,215,925 had no security. Further, loans totalling to Kshs.311,695,972 had securities which were less than the outstanding loan balances.

1.4. Loans Secured by Tripartite Agreements

Included in the loans balance are loans totalling to Kshs.9,200,000 secured by tripartite agreement between Societies and Marketers who were not licenced by Capital Markets Authority. This is contrary to a Public notice by the Capital Markets Authority, hence the security of the coffee loans are doubtful.

1.5. Long Outstanding Loans to Farmers and SACCOs

Included in the loan balances are loans due from Kisumu Sugar Belt Co-operative Union, Muhoroni Multipurpose Co-operative Union and Muhoroni Sugar Company amounting to Kshs.134,285,742, Kshs.88,792,492 and Kshs.3,473,544,680 respectively all totalling to Kshs.3,696,622,914. Verification on the above loaned entities revealed the following issues:

1.5.1. Kisumu Sugar Belt Co-operative Union is made up of 80 active co-operative societies while Muhoroni Multipurpose Co-operative Union consists of 15 active co-operative societies. The two unions are in operation and are actively involved with farmers. However, they have been defaulting on loans repayment to their respective unions which in turn has caused the unions to default on Fund's loans. Muhoroni Sugar Company on the other hand was in operation as at the time of audit verification in the month of November, 2023 yet no efforts have been made on remitting the amounts owed to the Fund.

1.5.2. Muhoroni Sugar Company Limited which is in receivership recovered loans amounting to Kshs.3,005,652. These loans were recovered from farmers since the year 2015 on behalf of Muhoroni Multipurpose Co-Operative Union for onward remittance to the Fund. However, the amount recovered was not remitted to the Fund. It was not clear why these loan recoveries were not remitted immediately

they were recovered. The union has been sending several reminders on the same without any response from the Factory Management.

- 1.5.3. Most of outstanding loans given to farmers were given as social grants with no securities and as such, recovery of these loans by the out-grower companies from the farmers has become almost impossible over the years.
- 1.5.4. Political utterances have created conflicts between the sugarcane farmers and the SACCOs as well as the Fund. Farmers are capitalizing on utterances made to the effect that the outstanding loans have been written off by the Government of Kenya. Hence, they refuse to pay or find ways of evading loan recoveries by delivering their canes to other milling factories that have no loan commitments with them.

In the circumstances, the accuracy, completeness, existence and recoverability of the receivables from exchange transactions gross loans and advances of Kshs.20,869,225,000 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Payment of House Allowances

The statement of financial performance reflects employee costs amounting to Kshs.110,630,000 as disclosed in Note 11 to the financial statement. The amount

includes housing benefits and allowances totalling to Kshs.25,452,000. However, review of the payroll records revealed that some employees were paid house allowances totalling to Kshs.3,839,300 which exceeded the approved rate by the Salaries and Remuneration Commission (SRC) as per their respective job grades and location . No evidence was provided to confirm if approval for the payments of the allowances was granted by SRC. Further, uniform house allowance was paid for different towns. This is contrary to SRC Circular Referenced SRC/TS/MDP/3/1/2 (2) of 11 August, 2015 which details the house allowance rates for all civil servants according to their job grades and location of posting.

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

2. Irregular Investment of Surplus Funds in Fixed Deposits at Commercial Banks

The statement of financial position reflects cash and cash equivalents amounting to Kshs.1,845,870,000. The amount includes short term deposits totalling to Kshs.1,732,476,000 invested in the local banks as disclosed in Note 18 (ii) to the financial statements. This is contrary to The National Treasury Circular Referenced DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and Semi-Autonomous Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries.

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

3. Committee with Members Exceeding One Third of Full Board

Review of board documents indicated that the full board had eight (8) members, out of which three committees namely, finance, human resource and general-purpose committee; credit and business development committee; and audit and risk and governance committees were established. However, these committees had a membership of four (4), six (6) and four (4) members respectively which exceeds the one third (3 members) of the full board members. This was contrary to the Paragraph 4 of the Office of the President circular No. OP/CAB.9/1A of 11 March, 2020 which states that the number of members to any Committees should be no more than one third (1/3) of the full Board to obviate the risk of a Committee conducting its business within the framework of a full Board structure.

In the circumstances, Management was in breach law.

4. Lack of Performance Evaluation for the Board

The statement of financial performance reflects remuneration of trustees amounting to Kshs.17,786,000 as disclosed in Note 12 to the financial statements. However, performance evaluation for the Board was not done for the year under audit. This was in contravention of the Mwongozo Chapter 1 (4) which states that the performance of the Board, its committees and individual directors should be evaluated annually.

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

5. Non-Preparation of Car and Mortgage Funds Financial Statements

The statement of financial position reflects total investments of Kshs.128,242,000. The amount includes staff mortgage loan and car loan deposits amounting to Kshs.116,164,000 and Kshs.12,078,000 respectively. However, the Fund did not prepare financial statements for the schemes and submit them for audit as required by the Salary and Remuneration Commission (SRC) Circular Ref. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 on Car Loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Management and those Charge with Governance

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

In preparing the financial statements, the Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund'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 controls that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

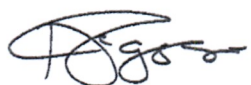
Nairobi

20 December, 2023

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2023**

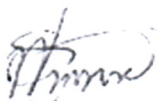
	NOTES	2022/23	2021/22
		<u>Kshs '000'</u>	<u>Kshs '000'</u>
Revenue			
Revenue from exchange transactions			
GoK Grant	6	45,396	66,047
Transfers from Agencies	6(ii)		3,691
Total Revenue from Non-Exchange transactions		45,396	69,737
Revenue from Exchange Transactions			
Rendering of Services	7(i)	170,595	218,931
Finance income - External investments	8(i)	152,735	113,287
Other income	9	<u>301</u>	<u>306</u>
Total Revenue from Exchange Transactions		<u>323,631</u>	<u>332,523</u>
Total revenue		<u>369,027</u>	<u>402,260</u>
Expenses			
User of Good & Service	10	105,869	100,402
Employee cost	11	110,630	115,697
Remuneration of Trustees	12	17,786	17,160
Depreciation and amortization expense	13	10,550	14,313
Repairs and maintenance	14	9,927	8,221
Contracted Services	15(i)	5,399	2,803
Task force cost	15 (ii)	<u>0</u>	<u>3,625</u>
Total Cost		<u>260,161</u>	<u>262,221</u>
Other Gains / (Losses)	16	66	
Provisions for doubtful debts	17	78,190	81,779
Surplus/(Deficit) for the period		<u>30,742</u>	<u>58,260</u>

The notes set out on pages 7 to 36 form an integral part of these Financial Statements.



Managing Trustee
Ms. Nancy C. Cheruiyot

Date... 14/12/2023



Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

Date... 14/12/2023



Chair, Board of Trustees
Mr. Duke Mainga Echate

Date... 14/12/2023

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022/2023 Kshs '000'	2021/2022 Kshs '000'
Assets			
Current assets			
Cash and cash equivalents	18	1,845,870	1,880,202
Receivables from exchange transactions-Interest Receivable on Investment	19(i)	10,168	17,221
Current portion of Receivables from Exchange Transactions-Loans and Interest	19(ii)	348,743	603,253
Receivables from non-exchange transactions	20	45,930	45,253
Inventory- Consumables	21	1,397	1,262
Total Current Assets		<u>2,252,108</u>	<u>2,547,191</u>
Non-current assets			
Property, plant and equipment	22	47,729	17,364
Intangible Assets- Software	23	22,100	25,172
Investments	24	128,242	126,337
Loan Term Receivables from Exchange Transaction -Loans	19(ii)	970,881	657,067
Total non-current assets		<u>1,168,951</u>	<u>825,939</u>
Total assets		<u>3,421,058</u>	<u>3,373,130</u>
Liabilities			
Current liabilities			
Trade, other payables and provisions from exchange transactions (Creditors and accruals)	25	11,906	56,251
Differed Income	26	15,000	
Total liabilities		<u>26,906</u>	<u>56,251</u>
Net assets		<u>3,394,102</u>	<u>3,316,879</u>
Reserves	27	15,346,515	15,298,805
Accumulated Deficit	28	(11,952,413)	(11,981,926)
Total net assets and liabilities		<u>3,394,102</u>	<u>3,316,879</u>

The Financial statement set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Managing Trustee
Ms. Nancy C. Cheruiyot

Date... 14/12/2023



Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

Date... 14/12/2023




Chair, Board of Trustees
Mr. Duke Mainga Echate

Date... 14/12/2023


Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023


Notes	Revolving fund Sugar Kshs '000'	Revolving Fund Coffee Kshs '000'	Coconut Fund Kshs '000'	Revaluation Reserve Kshs '000'	Revenue Reserve Kshs '000'	Total Kshs '000'
Balance as at 30th July 2021	13,554,514	1,675,206	31,711	3,421	(12,039,180)	3,225,671
Coconut Grant			33,953	-	(1,006)	33,953
Prior Year Adjustments						(1,006)
Surplus for the period					58,260	58,260
Balance as at 30th June 2022	13,554,514	1,675,206	65,664	3,421	(11,981,926)	3,316,879
Opening 1st July 2022	13,554,514	1,675,206	65,664	3,421	(11,981,926)	3,316,879
Additions for the year			14,604			14,604
Increase in Asset Value				33,106		33,106
Prior Year Adjustment					(1,230)	(1,230)
Surplus for the year					30,742	30,742
Balance as at 30th June 2023	13,554,514	1,675,206	80,268	36,527	(11,952,413)	3,394,102


Managing Trustee
Ms. Nancy C. Cheruiyot

14/12/2023
Date.....


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

14/12/2023
Date.....


Chair, Board of Trustees
Mr. Duke Mainga Echate

14/12/2023
Date.....

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

17. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2023

Cash generated from operations

	Notes	2022/2023 <u>Kshs '000'</u>	2021/2022 <u>Kshs '000'</u>
<u>Receipts:</u>			
Transfers from Government Agencies	6(i)	56,785	69,737
Rendering Services	7(ii)	434,327	616,377
Finance Income	8(ii)	159,788	109,002
Other Incomes	9	301	306
Impairment		-	
Totals Receipts		651,200	795,422
<u>Payment</u>			
Use of Goods & Service	10	105,869	100,402
Employee Cost	11	110,630	119,404
Remuneration of Trustees	12	17,786	17,160
Repairs and Maintenance	14	9,927	8,221
Contracted Services	15(i)	5,399	2,803
Taskforce Expense	15c	0	3,625
Payments to suppliers and other payable	25(ii)	(6,835)	4,886
Cash Received from Customers	20(ii)	7,065	(1,156)
Increase in Inventory	21	135	361
Disbursement of Loans	19(iii)	430,142	258,633
Clients Refund	19(iv)	13,493	(1,024)
Total Payments		693,611	513,314
Net Cash flow from Operating Activities		(42,411)	282,108
<u>Cashflow from Investing Activities</u>			
Purchase of Property, Plant, Equipment & Intangible Assets		(4,687)	(3,764)
Proceeds from disposal of Assets		66	0
(Increase) /Decrease in Investments		(1,905)	5,028
Net Cashflows Used in Investments Activities		(6,526)	1,264
<u>Cash Flow from Financing Activities</u>			
Proceeds from Borrowings		0	0
Repayments of Borrowings		0	0
Capital Grants from Government-Coconut Revitalization	6(ii)	14,604	33,953
Net Cashflow used in Financing Activities		14,604	33,953
Net Increase /(Decrease) in Cash and Cash Equivalents		(34,332)	317,325
Cash and Cash Equivalentents as at Date		1,880,202	1,562,877
Cash and Cash Equivalent as at Date		1,845,870	1,880,202



Managing Trustee
Ms. Nancy C. Cheruiyot

Date.....14/12/2023



Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

Date.....14/12/2023



Chair, Board of Trustees
Mr. Duke Mainga Echate

Date.....14/12/2023

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Variance	% Variance
ITEM DESCRIPTION	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	
INCOME						
Rendering of Services	247,800		247,800	170,896	(76,981)	(31)
Government Grants- Recurrent	55,396	10,000	45,396	45,396	-	
Finance Income	107,200		107,200	152,735	45,535	42
Total Revenue	410,396	3,691	400,396	369,027	(31,446)	8
Expenses						
Use of Goods and Services	112,627		112,627	105,869	6,919	6
Employees Costs	127,463		127,463	110,630	16,832	13
Remuneration to Trustees	17,505		17,505	17,786	(281)	(2)
Depreciation and Amortization Expenses	11,897		11,897	10,550	1,347	11
Repairs and Maintenance Costs	15,428		15,428	9,927	5,501	36
Contracted Services	16,700		16,700	5,399	11,301	68
Total Expenditures	301,620		301,620	260,161	41,458	14
Other Gains/(Losses)						
Gain on Disposal of Asset				66	(66)	100
Loan Provisions	66,019		66,019	78,190	(12,171)	(18)
Surplus/(Deficit) For the Period	42757	10,000	32,759	30,742	2,016	(6)



**Managing Trustee
Ms. Nancy C. Cheruiyot**

Date 14/12/2023



**Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078**

Date 14/12/2023



**Chair Board of Trustees
Mr. Duke Mainga Echate**

Date 14/12/2023

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES EXPLAINING THE VARIANCES BETWEEN THE BUDGET AND THE ACTUAL AMOUNTS ROUNDED IN THOUSANDS

Figure are rounded in Thousands ('000')

1.0 Rendering of Services

The Fund's mandate is to provide sustainable and affordable credit and advances to farmers. The Fund had budgeted to generate Kshs. 247,800 from lending but the actual result was Kshs. 170,896 resulting to deficit of Kshs.76,904 (31%). The deficit is largely attributed freeze of loans interest on non-performing loans.

2.0 Finance Income.

Surplus liquid cash held by the Fund is normally invested in short term deposits earn some income to supplement income from credit. During the period under review, the Fund had budget to generate Kshs. 107,000 from investment of surplus funds and actual result was Kshs. 152,735 resulting to positive variance of Kshs.45,735 (42%). The good performance was as a result of surplus cash that accumulated when the fund had restrictions on disbursement of loans.

3.0 Employment Cost

The Fund budgeted to spend Kshs. 127,463 on employee related costing such as salaries, and medical insurances. Actual expenditure was Kshs.110,630 resulting to under-utilization of Kshs.16,832 (13%) which was attributed to vacant position in the organization. Authority to replace staff was sought but not given till July 2023.

4.0 Depreciation costs

The depreciation cost was budgeted at Kshs.11,897 while the actual was Kshs.10,550 resulting to underutilization by Kshs.1,347. This is attributed to late procurement of budgeted assets and non-procurement of some other assets whose market price was higher than the budget.

5.0 Repairs and Maintenance Cost

A budget of Kshs.15,423 was approved to meet the repairs and maintenance costs of assets including licenses and support for ERP. The actual expenditure was Kshs.9,977 resulting to underutilization by Kshs. 5,551 (35%). This was attributed to fact that the fund did not enter into new support contract for ERP as works outlined in the previous contract had not be accomplished fully and the vendor continue to support the Fund under the old contract.

6.0 Contracted services

The Fund had budgeted to spend Kshs.16,700 various contracted services among them being debt collect and legal service for ongoing court matters. The Actual expenditure was Kshs.5,399 resulting to variance of Kshs.11,301 (67%). The underutilization was mainly on debt collection vote that was allocated Kshs.8,000 but not utilized after departure of a key staff in the organization. Secondly, the ongoing legal matters was not concluded during the year and Kshs.2 million allocated for legal cost was not utilized payment.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Commodities Fund is established by and derives its authority and accountability from Crops Act 2013 Section 9 (Amended in May 2016). Commodities Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide sustainable, affordable and accessible credit and advances to farmers.

2. Statement of Compliance and Basis of Preparation

The Fund's financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, Plant and Equipment, Marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Commodities Fund accounting policies.

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

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

The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid -19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> d) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. e) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. f) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

Standard	Effective date and impact:
	g) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
Other improvements to IPSAS	<i>Applicable 1st January 2023</i> <ul style="list-style-type: none">• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.• IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2022/2023

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and Commission Income

Fees and commission income is generally recognized on an accrual basis.

ii) Revenue from exchange transactions

Interest income

Interest income is recognized on an accruals basis in the Statement of Comprehensive Income using the effective yield on the loan. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Interest Income and Expense

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest-bearing Instrument on an accrual basis taking into account the effective yield on the assets.

➤ **Interest Computation**

ComFund loans are on lent to coffee, sugar and Coconut subsectors at a rate of between 4 and 10 % per annum depending on loan type.

b) Budget information

Commodities Fund budget is prepared on the accrual basis same as the financial statements. This is informed by the fact that much of the Fund's income is derived from loans which accrue interest daily and have specific repayment date which does not necessarily correspond with the reporting date. Secondly, as a credit institution, one single largest expenditure item is provision for non-performing loans which by its very nature does not involve movement of cash.

The amounts in the financial statements are therefore on same basis as in the approved budget and does not require a reconciliation

c) Taxation

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 ComFund operates and generates taxable income or consumes taxable goods and services.

Current tax obligation is amount recovered in process of payment for goods and services attracting taxes which the ComFund is required to recover and submit to tax authority.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition

Criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a straight-line basis so as to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

Motor Vehicles	- 25%
Equipment	- 20%
ICT Equipment	- 33 ¹ / ₃ %
Furniture and Fittings	- 12.5%
Plant- Generator	- 10%
Intangibles	- 8%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Assets are depreciated from the day they are inspected and accepted till the day they are either disposed or fully depreciated whichever comes earlier. Property and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

e) Leases

The Commodities Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

f) Financial Instruments

Financial Assets

Initial Recognition

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

Loans and receivables

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

Impairment of financial Asset

Originating loans and provision for loans impairment

Loans are originated by the ComFund by providing money to the coffee farmers and sugar companies/sugarcane out growers' institutions and are categorized as loans originated by the ComFund.

Specific provision is made against loans and advances at different rates applicable to each of the five loan categories. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows discounted at the effective interest rate of loans.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The provisioning rates adopted from 2018/19 are as follows:

Performing	(No instalment in arrears)	- 1%
Watch	(1-3 instalment in arrears)	- 3%
Substandard	(Above 3-6 Instalments in arrears)	- 20%
Doubtful	(Above 6-12 Instalment in arrears)	- 100%
Loss	(Above 12 Instalments in arrears)	- 100%

Where a loan or an advance in loss category is declared irrecoverable, authority is sought from the National Treasury to write off the debts against the related provision for impairments.

Subsequent recoveries of amount previously written off are credited to the Statement of Financial Performance in the year of recovery. Loans and advances are stated net of provisions in the statement of financial position.

Financial Liabilities-Payables

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The ComFund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

g) Inventories

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

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

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

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

h) Provisions

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

For the period ended 30th June 2023 ComFund did not have any present obligation to warrant provision.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Nature and purpose of reserves

The ComFund has created and maintained reserves in terms of specific requirements. For this purpose, the ComFund maintains capital reserves where all capital grants meant for loans disbursement are accumulated. In addition the ComFund maintains revaluation reserves where appreciation in value of assets is credited. An accumulated surplus reserve is also maintained where the surpluses/deficits resulting from the performance are accumulated.

j) Changes in accounting policies and estimates

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

k) Employee Benefits Obligations

Retirement benefit plans

The Fund sponsors a defined contribution pension scheme for its employees funded partly by the Employer 20% and staff 10% and administered by Jubilee Fund Managers. The Fund's obligation towards the scheme is limited to its 20% contribution which if not wholly remitted the unremitted portion is accrued in the financial statements at the year end.

The Fund also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF) a national retirement benefit scheme. This is a defined contribution scheme registered under the National Social Security Act.

The Fund's obligation under the scheme is limited to the specific contributions legislated by government from time to time and is currently at Kshs.200 per employee per month. Fund's contribution towards the two schemes is charged in the financial statements during the year.

l) Related Parties

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or vice versa. Within the Fund, Trustees and members of key management are viewed as related parties while outside the Fund, Agriculture and Food Authority (AFA) was taken as related party.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

n) Comparative figures

Comparative figures represent figures for the (12) months period ended 30th June, 2022 and were necessary restated to conform to the requirement of IPSAS.

o) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.0 Significant Judgements and Sources of Estimation Uncertainty

Estimates and Assumptions

In the process of applying Fund's accounting policies, management makes certain judgments, estimates and assumptions that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Management best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in these notes to the Financial Statements.

a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

b) Equipment

Critical estimates are made by the Management in determining depreciation rates of equipment.

c) Impairment

At each statement of financial position date, the management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, managements estimate the recoverable amount of the cash generating unit to which the asset belongs.

d) Provisions and contingent liabilities

Management reviews Fund's obligations at each balance sheet date to determine whether provisions need to be made. Where it is determined provisions are required, estimation is based on existing internal policy of the Fund. The expense relating to any provision is charged in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is ascertained in line with IPSAS19.

Contingent assets

The ComFund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the ComFund in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs in line with requirement of IPSAS 19.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5.0 Transfers from Other Government Entities

Description	2022-2023	2021-2022
	Kshs`000`	Kshs `000`
Unconditional grants		
Operational Grant	40,000	50,000
Another grants-AFA	-	3,691
Total Unconditional Grants	40,000	53,691
Conditional grants		
Coconut Revitalization Project Grant	20,000	50,000
Cashew Nut Revitalization Project Grant	15,000	
Total government grants and subsidies	75,000	103,691

Kshs. 3,611 of the operational grant was received on 3rd July 2023 and was recognized as receivable by 30th June 2023.

Coconut revitalization project grant is the third batch of the Kenya shillings one billion requested by the Commodities Fund from Government to form a revolving fund from where the coconut sub-sector can borrow loans at affordable rates to develop the sector.

6(i) Unconditional Grants

Transfer from other Government entities

	2022/2023	2021/2022
	Kshs `000`	Kshs `000`
Unconditional Grants		
Operational Grant	40,000	50,000
Total Unconditional Grants	<u>40,000</u>	<u>50,000</u>
Conditional Grants amortised/transferred to revenue		
Coconut Revitalisation Project	5,396	16,047
Cashew nut Revitalisation Project		
Other grants		3,691
Total Conditional Grants	<u>5,396</u>	<u>19,737</u>
Total Government Grants and Subsidies	<u>45,396</u>	<u>69,737</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6(ii) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs'000'	Amount deferred under deferred income KShs'000'	Amount recognised in Statement of Financial Performance	Amount recognised in capital fund.	Total transfers 2022/2023	Prior year 2021/2022
			KShs'000'	KShs'000'	KShs'000'	KShs'000'
Ministry of Agriculture, Livestock, Fisheries and Cooperatives	45,395	15,000	60,395	14,605	75,000	100,000
Agriculture and Food Authority	-	-	-	-	-	3,691
Total	45,395	15,000	60,395	14,605	75,000	103,691
Less Accrued Income	3,611	-	3,611	-	3,611	
Actual Total Receipts 2022/23	41,784	15,000	56,784	14,605	71,784	103,691

A total of Kshs.15,000 included above was received on 29th June 2023 w and was treated as deferred income. The details of the reconciliation have been included under appendix 111.

7(i) Rendering of Services	2022/2023 Kshs '000'	2021/2022 Kshs '000'
Interest Income Loans Debtors- Coffee Portfolio	36,971	37,764
-Sugar Portfolio	115,282	176,447
- Coconut	1,173	820
Loan Processing Fee	17,169	3,900
Total Revenue from rendering of Services	<u>170,595</u>	<u>218,931</u>

Loan processing fee of 1.5% of the approved loan amount is charged on all loans issued by the ComFund.

7(ii) Receipts From Rendering of Services	2022/2023 Kshs '000'	2021/2022 Kshs '000'
SOURCE	LOAN RECEIPTS	LOAN RECEIPTS
Coffee Loan Repayments	225,059	147,516
Sugar Loan Repayments	191,567	464,961
Coconut Loans Repayments	532	0
Loan Processing Fee	<u>17,169</u>	<u>3,900</u>
Sub Total	<u>434,327</u>	<u>616,377</u>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2022/2023	2021/2022
	Kshs '000'	Kshs '000'
8.(i) Finance Income		
Interest income from Treasury Bonds	0	1,720
Cash investment and short-term deposits-Received Income	150,625	110,667
Interest Earned Staff Mortgage Scheme	1,321	409
Interest Earned on Car Loan Scheme	789	491
Total Finance Income	<u>152,735</u>	<u>113,287</u>
8(ii) Finance Income Receipts		
	2022/2023	2021/2022
Opening Balance Accrued Finance Income	17,221	12,936
Add Finance Income Charged in Income Statement	152,735	113,287
Less Closing Accrued Finance Income for the year	<u>(10,168)</u>	<u>(17,221)</u>
Actual Cash for Finance Income Received in Year	<u>159,788</u>	<u>109,002</u>

ComFund invests its surplus liquid cash in short term deposits with the approved financial institutions to generate income pending disbursement of loans. Interest to Coffee and Sugar Sector is charged between 4 and 10% p.a depending on loan type.

9. Other income

	2022/2023	2021/2022
	Kshs '000	Kshs '000
ICPP Income	-	252
Miscellaneous Income	<u>301</u>	<u>54</u>
Other Income Total	<u>301</u>	<u>306</u>

10. User of Good & Service

	2022/2023	2021/2022
	Kshs '000	Kshs '000
Electricity & Water	547	873
Security	578	1,174
Professional Services	870	870
Subscriptions	61	70
Printing and Stationery	2,572	2,917
Communication Telephone and Postage	1,756	1,155
Vehicle Running Expenses	8,792	7,033
Insurance Expenses	2,617	2,311
Stakeholder Forum Expenses	2,574	4,167
International Travel	7,024	80
Rent and Rates	16,370	13,890
Cleaning, Garbage & Sanitary	193	239
Newspapers, Periodicals, Journals and Subscriptions	0	21
Advertising and Publicity	4,232	2,459
Bank Charges	626	693
Staff Welfare	329	2,414
Trainings, Seminar, Retreats and Workshops	11,063	4,948
Shows, Exhibitions & Trade Fairs	1,481	1,026
Corporate Social Responsibility	1,814	350
Travel, Accommodation, Subsistence and Other Allowances	32,953	31,719

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	ICPP Project expenditure	0	1,561
	Coconut Revitalization Project recurrent cost	5,396	16,046
	Corporate Planning & Strategic Plan	0	0
	Other Office General Expenses	2,627	4,385
	Hire of Transport	<u>1,394</u>	<u>0</u>
	Total Use of Goods	<u>105,869</u>	<u>100,402</u>
11	(i) Employee Costs	2022/2023	2021/2022
		Kshs '000'	Kshs '000'
	Salaries & Wages	60,269	62,825
	Employee Related Cost-Pensions Contributions & medical Aids	24,909	26,344
	Housing benefits and Allowances	<u>25,452</u>	<u>26,528</u>
	Total Employee Costs	<u>110,630</u>	<u>115,697</u>
11	(ii) Employee Costs & Payment to Accrued Gratuity	2022/23	2021/2022
		Kshs'000'	Ksh '000'
	Employee Cost Charged in Income Statement	110,630	115,697
	Payment For Accrued Gratuity	<u>00</u>	<u>3,707</u>
		<u>110,630</u>	<u>119,404</u>
12	Remunerations of Trustees	2022/2023	2021/2022
		Kshs '000'	Kshs '000'
	Chairman's Honorarium	950	434
	Sitting Allowances	5,960	7,240
	Trustees Accommodation & Subsistence Allowances	7,239	5,797
	Others) Trainings, Medical, Travel etc)	<u>3,638</u>	<u>3,689</u>
	Total Remunerations of Trustees	<u>17,786</u>	<u>17,160</u>
13	Depreciation and Amortization Expense	2022/2023	2021/2022
		Kshs '000'	Kshs '000'
	Property, Plant and Equipment	7,478	11,138
	Intangible Assets	<u>3,072</u>	<u>3,175</u>
	Total Depreciation and Amortization	<u>10,550</u>	<u>14,313</u>
14	Repairs and Maintenance	2022/2023	2021/2022
		Kshs '000'	Kshs '000'
	Buildings	358	246
	Automobiles	4,643	2,991
	Computer and Electronic Equipment	4,207	3,061
	Annual Software Licenses	644	1,856
	Furniture and Fittings	<u>75</u>	<u>67</u>
	Total Repairs and Maintenance	<u>9,927</u>	<u>8,221</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15(i) Contracted Services	2022/2023	2021/2022
	Kshs '000'	Kshs '000'
Contracted services	<u>5,399</u>	<u>2,803</u>
Total contracted services	<u>5,399</u>	<u>2,803</u>
15(ii) Taskforce Expenses	2022/2023	2021/2022
	Kshs '000'	Kshs '000'
Taskforce Expenses	<u>0</u>	<u>3,625</u>
Total Taskforce Expenses	<u>0</u>	<u>3,625</u>
16 Gain on Disposal of Assets	2022/2023	2021/2022
	Kshs '000'	Kshs '000'
Gain on disposal of ICT	66	0
Total Gain on Disposal of Assets	<u>66</u>	<u>0</u>

17 Loan Loss Provision

SUMMARY OF LOANS PROVISIONS AS AT 30TH JUNE 2023

CATEGORY	OUTSTANDING LOANS AND INTEREST	PROVIS ION RATE	PROVISION JUNE 2023	PROVISION JUNE 2022	INCREASE IN PROVISION
NORMAL (GRADE 1) - 1%	449,086	1%	4,491	3,890	601
WATCH (GRADE 2) - 3%	33,463	3%	1,002	1,657	(653)
SUB-STANDARD (GRADE 3) - 20%	3,399	20%	680	1,251	(571)
DOUBTFUL (GRADE 4) - 100%	4,434	100%	4,434	57,881	(53,446)
LOSS (GRADE 5) - 100%	20,378,876	100%	20,378,876	20,233,438	145,438
TOTAL	20,869,258		20,389,485	20,298,116	91,369
Less Loan Securities			839,854	816,675	23,179
Net Provisions			19,549,631	19,481,441	68,190

SUMMARY OF LOANS PROVISIONS AS AT 30TH JUNE 2022

CATEGORY	OUTSTANDING LOAN AND INTEREST	PROVISION RATE	PROVISION JUNE 2022	PROVISION JUNE 2021	INCREASE IN PROVISION
NORMAL (GRADE 1) - 1%	388,969	1%	3,890	6,701	(2,811)
WATCH (GRADE 2) - 3%	55,221	3%	1,657	2,350	(694)
SUB-STANDARD (GRADE 3) - 20%	6,256	20%	1,251	100,519	(99,268)
DOUBTFUL (GRADE 4) - 100%	57,881	100%	57,881	16,501	41,380
LOSS (GRADE 5) - 100%	20,233,438	100%	20,233,438	19,614,062	619,376
TOTAL	20,741,764		20,298,116	19,740,133	557,983
Securities	-		816,675	340,471	476,204
Net Provisions	20,741,764		19,481,441	19,399,662	81,779

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18(i) Cash and Cash Equivalents		2022/2023 Kshs '000'	2021/2022 Kshs '000'
a) Bank			
Current Accounts		113,061	26,783
On Call Deposits		0	48,000
Short Term Deposits		1,732,476	1,794,659
Others		332	10,760
Total Cash and Cash Equivalents		<u>1,845,870</u>	<u>1,880,202</u>
18(ii) Detailed Analysis Cash and Cash Equivalents	Account Number	2022/2023 Kshs '000'	2021/2022 Kshs '000'
a) Current Accounts			
Co-operative Bank (a)	01136030994600	14,497	24,034
Co-operative Bank (b)	01136030994601	88,553	352
Cooperative Bank (c)	01136035349800	3,077	1,538
National Bank	01345061389300	6,701	627
Equity Bank	01330299214184	43	43
Family Bank	014000033336	174	185
Kenya Commercial Bank	01132784905	13	2
Credit bank	0021007000774	5	2
Sub Total		113,061	26,783
(b) On Call Deposits Account			
National Bank		0	48,000
Sub-Total		0	48,000
(C) Short Term Deposits Account			
NCBA Bank		0	159,890
Cooperative Bank		516,334	496,314
Family Bank		253,093	246,974
Kenya Commercial Bank		106,780	494,713
National Bank		257,570	200,494
Equity Bank		521,477	115,731
Credit Bank		0	80,543
Development Bank		77,202	0
Sub-Total		1,732,476	1,794,659
d) Others			
Safaricom-Mkahawa	552601	2	2
Safaricom-Paybill	552600	331	10,758
Sub Total		333	10,760
Grand Total		<u>1,845,870</u>	<u>1,880,202</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19	(i) Current Receivables from Investments	2022/2023 Kshs '000'	2021/2022 Kshs '000'		
	Interest Receivable from Investments	10,168	17,221		
	Total Current Receivables	<u>10,168</u>	<u>17,221</u>		
19 (ii)	Receivable from exchange transactions- Loans				2022/2023 Coconut
	Gross Loans & Advances	Sugar Kshs '000'	Coffee Kshs '000'	Kshs '000'	Total Kshs '000'
	Gross Loans & Advances	19,442,328	1,412,619	14,308	20,869,255
	Provisions				
	Provisions Bf 01.07.22	18,603,370	878,071	-	19,481,441
	Charge for the year	80,869	(12,679)	-	68,190
	Total Provisions as at 30.06.23	<u>18,684,238</u>	<u>865,392</u>	-	<u>19,549,631</u>
	Net Loans and Advances as at 30.06.23	<u>758,089</u>	<u>547,227</u>	<u>14,308</u>	<u>1,319,624</u>
	Current Portion transferred to current receivables	<u>116,670</u>	<u>227,643</u>	<u>4,430</u>	<u>348,743</u>
	Total non-current receivables	<u>641,419</u>	<u>319,584</u>	<u>9,878</u>	<u>970,881</u>
	Gross Loans & Advances	Sugar Kshs '000'	Coffee Kshs '000'	2021/2022 Coconut Kshs '000'	Total Kshs '000'
	Gross Loans & Advances	19,328,946	1,399,507	13,307	20,741,760
	Provisions				
	Provisions Bf 01.07.21	18,474,175	925,487		19,399,662
	Charge for the year	129,195	(47,416)		81,779
	Total Provisions as at 30.06.22	<u>18,603,370</u>	<u>878,071</u>	<u>13,307</u>	<u>19,481,441</u>
	Net Loans and Advances as at 30.06.22	<u>725,576</u>	<u>521,436</u>		<u>1,260,319</u>
	Current Portion transferred to current receivables	<u>287,225</u>	<u>170,015</u>	<u>4,430</u>	<u>461,670</u>
	Total non-current receivables	<u>438,351</u>	<u>351,421</u>	<u>8,877</u>	<u>798,649</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19(iii) Disbursement of Loans	2022/2023 Kshs '000'	2021/2022 Kshs '000'
Coffee Disbursement	239,782	243,135
Sugar Disbursement	190,000	3,010
Coconut Disbursement	<u>360</u>	<u>1,488</u>
Total Repairs and Maintenance	<u>430,142</u>	<u>258,633</u>

19(iv) Client Refunds	2022/2023 Kshs '000'	2021/2022 Kshs '000'
Coffee Disbursement	12,247	(2,273)
Sugar Disbursement	1,246	1,249
Total Clients Refunds	<u>13,493</u>	<u>(1,024)</u>

20 (i) Receivables from Non-Exchange Transactions

Items	2022/2023 Kshs'000'		2021/2022 Kshs'000'	
Prepayments	12,577		5,243	
Staff Debtors	17		0	
Trade Receivable	3,336		10	
Other Debtors- Parent Ministry	40,000		40,000	
Less: Impairment allowance	(10,000)		0	
Total	45,930		45,253	
Ageing analysis (Trade and other Receivables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	9,868	21	354	0.78
1-2 Years			110	0.24
2-3 years			692	1.5
Over 3 Years	36,062	79	44,097	97
Total	45,930		45,253	

Commodities Fund**Annual Report and Financial Statements for the Year ended 30th June 2023****NOTES TO THE FINANCIAL STATEMENTS (Continued)****20(ii) Cash Received from Customers**

Items	2022/2023 Kshs'000'	2021/2022 Kshs'000'
Prepayments	5,857	244
Staff Debtors	17	-40
Trade Receivable	3,325	-540
Utility Deposit	1,477	-820
Accrued GOK Transfer	(3,611)	0
Total	7,065	(1,156)

21(i) Inventories	2022/2023 Kshs '000'	2021/2022 Kshs'000'
Consumables Stores	1,397	1,262
Total Inventories at lower of cost and net realizable Value	1,397	1,262

21(ii) Increase in Inventory amounts to 135

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Property, plant and equipment as at 30th June 2023

	Motor Vehicles and Cycles KSHS'000'	Computer and Electronic Equipment KSHS'000'	Generator, Office and Communication Equipment KSHS'000'	Furniture and Fittings KSHS'000'	TOTAL KSHS'000'
Cost					
At 1 July 2021	65,082	64,795	6,606	29,924	166,408
Additions	126	3,085	18	536	3,764
Transfers/adjustments	-	-	-	-	-
At 1 July 2022	65,208	67,880	6,624	30,460	170,172
Additions	-	3,005	74	1,609	4,687
Disposals	-	(249)	-	-	(249)
Adjustments-Valuation	23,532	4,986	1,348	3,240	33,106
At 30th June 2023	88,740	75,621	8,046	35,309	207,716
Depreciation and impairment					
As At 1st July 2021	(51,508)	(59,763)	(4,652)	(25,650)	(141,572)
Depreciation	(5,108)	(3,161)	(484)	(2,482)	(11,236)
Transfer/adjustments	-	-	-	-	-
At 30 June 2022	(56,616)	(62,924)	(5,136)	(28,132)	(152,808)
Depreciation	(3,275)	(3,067)	(407)	(729)	(7,478)
Disposals	-	249	-	-	249
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2023	(59,891)	(65,742)	(5,543)	(28,860)	(160,037)
Net book values					
At 30th June 2022	8,592	4,956	1,489	2,328	17,364
At 30th June 2023	28,849	9,879	2,502	6,449	47,679

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

The Assets were valued by Crystal Valuers professional valuers on 30th June 2023. The Amount were adopted by the Board on 29th September.

23. Intangible Assets –Software	2022/2023	2021/2022
Cost	Kshs '000	Kshs '000
At the beginning of the Year	41,174	41,174
Additions	0	0
At end of year	41,174	41,174
Transfer/ Adjustments	=	-
At end of the year	41,174	41,174
Amortization and Impairment		
At the beginning of the Year	(16,002)	(12,925)
Adjustment of Overstated Amortization Expense in FY2017.18	-	-
Amortization for the year	(3,072)	(3,077)
At end of the year	(19,075)	(16,002)
Impairment Loss	-	-
Transfer/ Adjustments	-	-
At end of the year	(19,075)	(16,002)
NBV	<u>22,099</u>	<u>25,172</u>

Assets amounting to Kshs. 2,772,169 included in the historical costs of intangibles are fully depreciated.

24 Investments	2022/2023	2021/2022
	Kshs '000'	Kshs '000'
a) Investment in Staff Mortgage-		
Staff Mortgage Deposit-HFC	85,358	85,011
Staff Mortgage Deposit- Coop Bank	30,806	30,000
b) Investments in Staff Car loan		
Staff Car Loan Deposit-Family bank	<u>12,078</u>	<u>11,326</u>
Grand Total	<u>128,242</u>	<u>126,337</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Trade, other payables and provisions for contracted services

Items	2022/2023 Kshs'000'		2021/2022 Kshs'000'	
Trade Payable	8947		2999	
Payment Received in advance	442		45,870	
Payroll Liabilities	375		76	
Third Parties Payables	527		4,355	
Loan Security Deposit	0		1,240	
Total	10,291		54,540	
Ageing analysis (Trade and other Payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under One Year	7,923	77	53,681	98
1-2 Years	2,368	23	859	2
2-3 years				
Over 3 Years				
Total	10,291		54,540	

25 (ii) Provision for Contracted Services

Items	2022/2023 Kshs'000'		2021/2022 Kshs'000'	
Ian Soft Technologies Ltd	00		1,180	
Mear Consulting Ltd	00		531	
Vas Consultants Ltd	1,616		0	
Total	1,616		1,711	

25 (iii) Payments to Suppliers

Items	2022/2023 Kshs'000'		2021/2022 Kshs'000'	
Trade and Other Payable	(6,000)		4,898	
VAT Outstanding	(9)		(12)	
Payroll Liabilities	(299)		0	
Gratuity	(527)			
Total	(6,835)		4,886	

26. Deffered Income

Items	2022/2023 Kshs'000'		2021/2022 Kshs'000'	
Differed Income	15,000		0	
Totals	15,000		0	

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Notes	Revolving fund Sugar	Revolving Fund Coffee	Coconut Fund	Revaluatio n Reserve	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
27. Capital Reserves					
Balance As At 30 June 2022	13,554,512	1,675,206	65,664	3,421	15,298,805
Coconut Grant	-		14,605		14,605
Assets Revaluation				33,106	33,106
Balance As At 30 JUNE 2023	13,554,514	1,675,206	80,268	36,527	15,346,516
					-
Opening 1st July 2022	<u>13,554,512</u>	<u>1,675,206</u>	<u>65,664</u>	<u>3,421</u>	<u>15,298,805</u>
Revenue Reserve					
				Revenue Reserve	
				Kshs '000'	
Balance as at 1 July 2021				(12,950,602)	
Prior year adjustment				1,006	
Surplus for the period				58,260	
Balance as at 30 June 2022				(11,981,926)	
Opening 1st July 2022				(11,981,926)	
Prior Year Adjustment				(1,230)	
Surplus for the year				30,742	
				-	
Balance as at 30th June 2023				<u>(11,952,413)</u>	

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Cash generated from operations

Item	Balance C/Down Kshs. '000'	Balance B/F Kshs. '000'	2023 Kshs '000'	2022 Kshs '000'
Surplus/(Deficit) for the year before Tax			30,742	58,260
Adjusted for:			-	-
Depreciation	-	-	10,550	14,313
Non-Cash Adjustment to Equity	19,481,441	19,549,631	68,190	81,779
Adjustment	-	-	(1,230)	(1,006)
Contributed Assets	-	-	-	-
Impairment	-	-	-	-
Gains and Losses on Disposal of Assets	-	-	(66)	-
Contribution to Provisions	-	-	(68,190)	(81,779)
Contribution to Impairment Allowance	-	-	-	-
Finance Income-External Investment-Non-Exchange Transactions	-	-	(152,735)	(113,287)
Finance Cost	-	-	-	-
Working Capital Adjustments	-	-	-	-
Decrease/(Increase) in Non-Current receivables from Exchange Transaction-Loans	1,137,401	1,118,737	(18,664)	252,802
(Increase)/ Decrease in receivables	238,748	204,057	(34,263)	(34,332)
(Decrease) in Deferred Income	15,000	-	15,000	-
(Decrease) in Trade & Other Payables from Exchange Transaction (Creditors/Accrual	-	-	(44,344)	(7,569)
Increase/Decrease in Inventory-Consumables	1,262	1,397	(135)	(361)
Net Cash flows from Operating Activities	-	-	(195,145)	168,821

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Financial Risk Management

The Fund's activities expose it to a variety of financial risks. Risk management is carried out by the finance function under policies approved by the Board of Trustees. The Finance function identifies, evaluates and hedges against the financial risk.

(i) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. The Fund has no significant concentrations on credit risk. The Fund has policies in place to ensure loans are given to farmers with an appropriate credit history. The credit department assesses the credit quality of each farmer, taking into account their financial position, past credit experience and other factors.

The carrying amount of loans recorded in the financial statements that represents the Fund's maximum exposure to credit risk is as follows:

	Total Amount Kshs 000	Fully Performing Kshs 000	Past Due Kshs 000	Impaired Kshs 000
As at 30.06. 2023				
Receivables from exchange transactions	20,869,258	449,086	41,296	20,378,876
Receivables from non-exchange transactions	55,930	15,930	40,000	-
Bank balance	1,845,870	1,845,870	-	-
Total	22,771,058	2,310,886	81,296	20,378,876
As at 30.06. 2022				
Receivables from exchange transactions	20,741,764	388,969	119,357	20,233,438
Receivables from non-exchange transactions	62,251	22,251	40,000	-
Bank balance	1,880,202	1,880,202	-	-
Total	22,684,217	2,291,422	159,357	20,233,438

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities

is fundamental to the Fund's management. It is unusual for a lending institution's maturities and interest rates of assets and liabilities to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Ability to replace, at an acceptable cost, interest-bearing liabilities, as they mature are important factors in assessing the liquidity of the Fund and its exposure to interest rates. The Fund does not maintain cash resources to meet all liabilities as they fall due as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 5 month Kshs 000	Total Kshs 000
As At 30.06.2023				
Trade Payables & Other Payables	5,433		4,858	10,291
Current portion of borrowings	-	-	-	-
Provisions	-	-	1,616	1,616
Deferred income	-	-	-	-
Employee benefit obligations	-	-	-	-
Total	5,433		6,474	11,907
As At 30.06.2022				
Trade Payables & Other Payables	380		53,970	54,350
Current portion of borrowings				
Provisions			1,711	1,711
Deferred income				
Employee benefit obligations				
Total	380		55,681	56,251

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

The Fund's Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit, Risk and Governance Committee of the Board) and for the day-to-day implementation of those policies.

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

a) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from changes in market interest rates which affect the projected interest income from investment. This exposes the Fund to cash flow risk.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to invest with institutions that offer favorable interest rates and invest on fixed deposits whose rates are ascertained in advance.

Capital Risk Management

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

	2022-2023		2021-2022
	Kshs 000		Kshs 000
Revaluation reserve	36,527		3,421
Revenue Reserve	(11,952,413)		(11,981,926)
Capital reserve	15,346,515		15,295,384
Total funds	3,394,102		3,316,879
Total borrowings	0		0
Less: Cash and bank balances	(1,845,870)		(1,880,202)
Net debt/(excess cash and cash equivalents)	1,845,870		1,880,202
Gearing	100%		100%

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023
NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. Related Party Balances

(a) Nature of related party relationship

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or Vice Versa. Within the ComFund, Directors and members of key management are viewed as related parties while outside the ComFund, Ministry of Agriculture, Livestock, Fisheries and Co-operatives and Agriculture and Food Authority (AFA) were regarded as related parties.

	2022/2023	2021/2022
	Kshs 000	Kshs 000
Transactions with related Parties		
a)Sales to related Parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-

b) Grants from the Government		
Grants from the National Govt.	75,000	100,000
Grants from County Government	-	-
Donations in kind	-	-
Total	75,000	100,000
c)Expenses incurred on behalf of related party		
Payments of salaries and wages for AFA employees	0	0
Payments for goods and Services	-	-
Total	0	0
d)Key Management Compensation		
Directors' emoluments	17,786	17,160
Compensation to Key Management	25,306	25,592
Total	43,092	42,752

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Key management remuneration

Transactions with related parties are summarised as follows:

The aggregate remuneration to directors and key management including allowances, salaries and benefits were as follows:

	2022/2023	2021/2022
	<u>Kshs 000</u>	<u>Kshs 000</u>
Trustees Emolument	17,786	17,160
Key Management compensation	<u>25,306</u>	<u>25,592</u>
	<u>43,092</u>	<u>42,752</u>

The sugar loan portfolio managed by ComFund was inherited from AFA-Sugar Directorate and the hand over process is not fully concluded.

c) Due from related parties

	2022/2023	2021/2022
	<u>Kshs 000</u>	<u>Kshs 000</u>
Due from Ministry of Agriculture, Livestock, Fisheries & Co-operatives	<u>40,000</u>	<u>40,000</u>
	<u>40,000</u>	<u>40,000</u>

The Ministry of Agriculture, Livestock, Fisheries and Co-operatives requested to be advanced a total of Kshs. 40 million in 2017 that was to be reimbursed immediately when the ministry received its funds from the National Treasury but is yet to be reimbursed.

31 Contingent Liabilities

	2023/2022	2021/2022
	<u>Kshs 000</u>	<u>Kshs 000</u>
One court case against the ComFund	<u>18,998</u>	<u>18,998</u>
Total	<u>18,998</u>	<u>18,998</u>

The ComFund has litigation against it which involves a spousal consent dispute on a property secured against a loan with the exposure estimated at around **Kenya shillings Eighteen Million Nine Hundred Ninety-Eight Thousand (Kshs 18,998,000)**. However, management is of opinion that the case will be judged in its favour hence no need for provision in the financial statements.

32. Operating Lease commitments

Rental expenses incurred during the year was Kshs.16,271 (2022– Kshs.13,890). At the reporting date, the Fund had contracted with landlords for the following minimum future lease payables:

	2022/ 2023	2021/2022
	Kshs'000	Kshs'000
The Fund as a lessee:		
Within one year	15,328	13,866
In the second to fifth year inclusive	<u>46,372</u>	<u>32,392</u>
	<u>61,700</u>	<u>46,253</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Operating leases relate to the office spaces that are negotiated for a maximum term of 5 years, with the rentals being reviewed every two years and hence classified as operating leases. The leases are cancellable with a penalty when the landlord is not given notice to vacate the premises in accordance with lease agreement. The Fund as a lessee does not have an option to purchase the property at the expiry of the lease period.

33. Prior Year Adjustment

During the year, the Fund carried out reconciliation on its trade payables as well as loans which resulted to adjustment a total of Kshs.1,230 broken down as follows:

Summary of Adjustments

Adjustment	Financial statement line item affected by correction			
	Trade Payables	Deposit/Security Guarantee	Loans Interest	Revenue reserves
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Invoices Reversed	(358)			358
Deposits expensed/reversed deposits		(201)		(201)
Loan interest revised after reconciliation			(1,387)	(1,387)
Total	(358)	(201)	(1,387)	(1,230)

Over all, the above corrections reduced previously reported revenue reserves by Kshs. 1,230.

34. Coconut Revitalization Project

The ComFund received from GOK development grant amounting to **Kshs. 50,000** being the second disbursement of the **Kshs. 1,000,000** requested to operationalize a revolving fund amounting to **Kshs. 812,500** for the sector. The revolving fund was allocated **Kshs. 33,953** of the **Kshs. 50,000** received in the year while the recurrent costs associated with the project took **Kshs. 16,047**. The Coconut Credit Scheme is currently operational and the lending capital is expected to grow as the government releases more funds into the project in the next four years.

35. Material Uncertainty

The ComFund has cumulative deficit totalling to Kshs. 11,952,185 occasioned by huge provisions for non-performing loans. Cumulative Provisions charged in the financial statements stood at Kshs. 19,549,631. Majority of the non-performing loans are held in sugar sector and more so by government owned sugar millers and out grower institutions. The sugar loan portfolio was grossly under provisioned when it was handed over to ComFund which necessitated enhancement of provisions to adequately cover the non-performing loans. The issue of non-performing debts will be addressed by privatization of government owned sugar millers a matter under government consideration.

36. Events after the reporting period

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Ultimate and Holding Entity

Commodities Fund is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Irrigation. Its ultimate parent is the Government of Kenya.

38. Currency

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

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

20. APPENDICES

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS

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

PARAGRAPH	KEY ISSUES	MANAGEMENT RESPONSE	Focal Point to Resolve the issue (Name and Designation)	Status: Resolved/ Not Resolved	Time Frame: (Put a date when you expect the issue to be resolved)
<p>181 Unsupported Prior Year Adjustments</p>	<p>The statement of financial position and as disclosed in Note 26 to the financial statements reflects revenue reserves of (Kshs. 11,981,926) which includes a prior year adjustment figure of (Kshs. 1,006,000) dating back to 2016/20217 financial year that could not be traced in prior year operations.</p> <p>Although the Management explained that the prior year adjustments arose after a reconciliation of loans, the reconciliation amounts were not supported by the loan statements.</p>	<p>The management agrees that the statement of financial position and as disclosed in Note 26 to the financial statements reflects revenue reserves of (Kshs. 11,981,926) which includes a prior year adjustment figure of (Kshs. 1,006,000) dating back to 2016/20217 year operations. The prior year adjustments arose after a reconciliation of some loans which resulted to recognition of additional interest affecting prior periods. Management has given statements for the loans in question for your review. (Annex 181)</p>	<p>Roseline Wambura-Credit Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

<p>182 Lack of Logbooks for Motor Vehicles</p>	<p>The statement of financial position reflects property, plant and equipment balance of Kshs. 17,364,000 whose original cost as disclosed in Note 21 to the financial statements was Kshs. 170,172,000. Included in the balance of Kshs. 170,172,000 were motor vehicles cost of Kshs. 65,208,000. Further, management confirms it has not secured the logbook for its Motor Car Registration No. KDA 561P and Motor Cycle Registration No. KDG 243C costing Kshs. 8,859,358 and Kshs.111,071 respectively, both totaling to Kshs.8,970,429.</p>	<p>The management acknowledges the logbooks for its Motor Car Registration No. KDA 561P and Motor Cycle Registration No. KDG 243C which costed Kshs. 8,859,358 and Kshs.111,071 respectively had not been issued by NTSA at the time of audit. We however confirm the two are registered under Commodities Fund name as reflected in the virtual logbooks on the Fund's NTSA portal. (Annex 182A).</p> <p>The Fund is actively following up with NTSA to secure the physical logbooks for the two. Letters written to NTSA are attached as (Annex 182 B)</p> <p>the Fund has Since secured the Log book for the Car KDA 561P herein attached as (Annex 182 C).</p>	<p>Rose Ndiritu – Human Resource and Administration Officer</p>	<p>Partially resolved</p>	<p>30th September 2023</p>
<p>183 Long Outstanding Loans</p>	<p>The statement of financial position reflects receivables from exchange transactions- gross loans and advances of Kshs. 15,805,522,000 which comprises of gross loans and advances for sugar, coffee and coconut of Kshs. 14,801,639,000, Kshs. 991,396,000 and Kshs. 12,488,000 respectively as disclosed in Note 18(iv) to the financial statements with a total provisioning of Kshs. 14,686,786,000 or 93% as at 30 June,2022.</p> <p>Review of loans disbursement records revealed that loan id LN0377 of Kshs. 31,100,000 for coffee establishment had</p>	<p>Meetings were held with the client after the lapse of the negotiated repayment date to enable regularization of the loan account. The client had targeted to dispose one of their properties. Failure to receive repayments led to three demand notices (Refer to Annex 183 A) being issued and the client notified that the file had been forwarded to the Debt Recovery Unit (DRU) for execution of the requisite debt recovery measures (Refer to Annex 183 B).</p> <p>The sixth report dated October 2019 of the Special Fund's Committee recommended that the Board in consultation with the Parent</p>	<p>Roseline Wambura- Manager Credit</p>	<p>Not resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

	<p>been disbursed to a farmer in Nyeri on 2 March, 2016 and was to be repaid in 18 months. However, the farmer defaulted in servicing the Loan by the agreed date of 30 June, 2021 as per the re-negotiated repayment agreement with the Fund. The outstanding balances as at 30 June, 2022 was Kshs. 46,289,452.</p> <p>Further, the loans that were inherited from Agriculture and Food Authority, Sugar Board and Coffee Development Fund are non-Performing and have outstanding overdue total principal and interest arrears balance of Kshs. 3,576,176,558, Kshs. 15,027,193,041 and Kshs. 684,083,249 respectively all totaling to Kshs. 19,287,452,848.</p> <p>The Board resolved that the Fund seeks for debt write off for the non-performing loans from The National Treasury through the Parent Ministry. However, no evidence was provided to confirm that this was granted.</p> <p>As previously reported, even though recoverability of loans is doubtful Management has not justified the high rate of provisioning.</p>	<p>Ministry and approval by the Cabinet Secretary National Treasury consider writing off loans to Public Mills and Outgrower Institutions that were inherited by Commodities Fund based on their low recoverability in accordance with section 69 (2) of the Public Finance Management Act 2012 (Refer to Annex 183 C)</p> <p>The Fund held a meeting with National Treasury which culminated in the Board holding a meeting to seek debt write off due to doubtfulness in ability to recover. This is in line with Section 69 of the Public Finance Management Act 2012 and section 145 of the regulations.</p> <p>In line with the Board resolution the Fund sort debt write-off from the Parent Ministry of non-performing loans vide letters dated 19th April 2021 and 8th March 2023 (Refer to Annex 183 D).</p> <p>The rate of provisioning will increase with every new loan taken because provisions of 1% are made for loans advanced that are performing and non-performing loans that were inherited and are continuing to accrue interest until they are frozen 5 years after the due date.</p>		
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

	<p>In the circumstances, the accuracy and recoverability of the receivables from exchange transactions-gross loans and advances of Kshs. 15,805,522,000 could not be confirmed.</p>				
<p>184 Failure to Revalue Fully Depreciated Assets</p>	<p>The statement of Financial Position reflects property, plant and equipment balance of Kshs. 17,364,000. However, the Note 21 to the financial statements reflects fully depreciated property, plant and equipment with a cost value of Kshs. 140,128,248 whose residual values over the remaining useful life of assets was not estimated. This indicates a possible material variance between the fair value and the carrying value of the assets necessitating a revaluation as required under paragraph 49 of IPSAS17-Property, plant and equipment.</p> <p>Further, the Fund has no assets and liabilities management policy contrary to paragraph 4(4.5) of the National Treasury policy on Assets and liabilities management in the public sector.</p>	<p>Management acknowledges some of the items reflected under Note 21 on property, plant and equipment were fully depreciated.</p> <p>The assets have since been revalued.</p> <p>The Fund has the assets and liabilities management policy which complies with the National Treasury Policy on Assets and Liabilities Management in the Public Sector.</p>	<p>Silas Nyaga- Finance Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

<p>185 Irregular Payment of House Allowances</p>	<p>The statement of Financial performance reflects Kshs. 115,697,000 in respect of employee costs. However, review of the payroll records for the year under review revealed that there were employees whose house allowances exceeded the approved rate by the salaries and Remuneration Commission (SRC) as per their respective grades resulting in an over-expenditure of Kshs. 3,270,250. No evidence was provided to show prior approval for the payments of the allowances was granted by SRC. In the circumstances, the validity of the house allowances payment of Kshs. 3,270,250 could not be confirmed</p>	<p>Since its inception, the Fund has continued to use the remuneration policy of its predecessor; Coffee Development Fund owing to the fact that its Human Resource Instruments are yet to be approved. The Fund engaged the consultancy arm of the Public Service Commission in the Development of its HR instruments including salary structures and the same were submitted to various bodies including SRC for guidance and approval for implementation. The instruments are yet to be approved. Follow up on the approval of the Fund's Human Resource Instruments Continues. The staff grading at Commodities Fund as per the remuneration policy are in numerical basis from grade I to grade VI. Grade I being the highest. The grading are mapped to the public service grading system as follows:</p> <table border="1" data-bbox="938 790 1361 1335"> <thead> <tr> <th>Public Service Grade Bands</th> <th>Commodities Fund Grades</th> <th>Respective positions</th> </tr> </thead> <tbody> <tr> <td>UV</td> <td>I</td> <td>Managing Trustee</td> </tr> <tr> <td>ST</td> <td>II</td> <td>Managers</td> </tr> <tr> <td>PR</td> <td>III</td> <td>Senior Officers</td> </tr> <tr> <td>MN</td> <td>IV</td> <td>Officers</td> </tr> <tr> <td>KL</td> <td>V</td> <td>Assistant</td> </tr> <tr> <td>FGJ</td> <td>VI</td> <td>Support Staff</td> </tr> </tbody> </table>	Public Service Grade Bands	Commodities Fund Grades	Respective positions	UV	I	Managing Trustee	ST	II	Managers	PR	III	Senior Officers	MN	IV	Officers	KL	V	Assistant	FGJ	VI	Support Staff	<p>Rose Ndiritu- Human Resource and Administration officer</p>	<p>Resolved</p>
Public Service Grade Bands	Commodities Fund Grades	Respective positions																							
UV	I	Managing Trustee																							
ST	II	Managers																							
PR	III	Senior Officers																							
MN	IV	Officers																							
KL	V	Assistant																							
FGJ	VI	Support Staff																							

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

		<p>Given this grading systems, the Commodities Fund House Allowances are therefore within the SRC guidelines with most of the employees getting below the set upper limit. For instance, the assistants on grade KL are currently receiving a house allowance of Kshs. 20,000 against the set SRC limit of Kshs. 28,000.</p>	<p>Rose Ndiritu- Human Resources and Administration Officer</p>	<p>Not Resolved</p>	
<p>186 Lack of an Approved Staff Establishment and Remuneration Structure</p>	<p>The Fund does not have an updated approved staff establishment hence it was not possible to establish the optimal levels or number of employees per post. In addition, the salary structure and scale used by the Fund for payment of employees' salaries and allowances was not approved by the Salaries and Remuneration Commission contrary to Article 230(4) (a & b) of the Constitution.</p> <p>In the circumstances, the salaries and allowances could not be confirmed.</p>	<p>It is true the Fund does not have an approved HR instruments as the same awaits resolution on the legal status of the Fund. Resolution of the legal status/corporate status will enable the relevant government agencies to categorize the Fund and approve HR instruments including staff establishment. The said staff instruments fully approved by the Commodities Fund Board of Trustees are being held by various government agencies but cannot approve until corporate status issue is resolved.</p>	<p>Tomno Kiibichi – Supply Chain Officer</p>	<p>Resolved</p>	
<p>187 Irregular Procurement for Security Expenses</p>	<p>The Statement of financial performance reflects an amount of Kshs. 100,402,000 in respect of use of goods and services which includes a payment of Kshs. 1,174,000 for security that was made to security firm. This was as a result of a contract extension vide contract numbr-001/GRD/CF/10/2021 dated 1 October,2021 to provide security services of Kshs,40,000 plus VAT per</p>	<p>The Fund first contracted Wells Fargo Ltd for the provision of security services in 2017 at a fee of Kshs. 27,543.10 per guard per month. Through a series of price revisions with reasons thereof as per the attached price revision letters it necessitated the change in prices from the initial plan.</p>			

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

	<p>guard per month. However, in the initial contract dated 1 January, 2017 reflected the charges for security services of Kshs. 27,543.10 plus VAT per guard per month. In the circumstances, it was not possible to confirm if value for money was realized for Kshs. 1,174,000 expenditures on Security services.</p>	<p>One of the reasons was the presidential declaration of an increment in minimum wage brought about by inflation and an increase in the cost of living index in Kenya as elaborated in the price revision letters. Therefore, the Fund revised the contract fee in 2018 to a monthly fee of Kshs. 34,543.00 and in 2021 at a fee of Kshs. 40,000.00. (Annex 187A)</p> <p>Consequently, in 2022, the Fund contracted Procured a new security service provider, Mocam Security Ltd, through the request for quotation procurement method and thus terminated the services of Wells Fargo Ltd. on 27th July 2022. The monthly fee for the new firm is Kshs. 38,280 (Annex 187B)</p>		
<p>188 Board of Trustees Matters</p>	<p>The statement of financial performance reflects remuneration of trustees of Kshs. 17,160,000 and as disclosed under Note 11 to the financial statements. However, the appointment letters for 2 (two) Board Members were not provided for audit review. It was observed that Commodities Fund vide a letter dated 16 December, 2019 wrote to the Principal Secretary, State Department for Crops Development and Agriculture Research requesting for the appointment letters but no evidence was provided to show that they were received.</p>	<p>It is correct Two (2) members of the Board of Trustees did not have appointment letters from the appointing authority.</p> <p>The Fund requested the Parent Ministry to avail the Appointment letters for the two Board members via a letter referenced ComFund/F.1/BoT/Vol.2?104 Dated 16th December 2019 but the ministry did not issue the requested letters. (Annex 188)</p> <p>The two directors left the Fund within the year 2021/2022. All new directors appointed to replace them were gazetted and issued with appointment letters.</p>	<p><i>Nesline Okiko- Legal Manager</i></p>	<p><i>Resolved</i></p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**


	<p>In addition, the Fund does not have a substantive holder for position of Corporate Secretary. It was observed that minutes of the board meetings were taken by the legal Manger on behalf of the Managing Trustee but there was no justification for the delegation authority or appointment letter to that effect was provided for audit.</p> <p>In the circumstances, the Management was in breach of the law.</p>	<p>The Fund also acknowledges the Legal manager was taking Board minutes on behalf of the Managing Trustee who is the Substantive Secretary to the Board of Trustees. The new organization structure awaiting approval has created a position for Corporation Secretary. The anomaly will be resolved once the new structure is approved and implemented.</p>	<p>Silas Nyaga- Finance Manager</p>	<p>Resolved</p>	
<p>189 Failure to Prepare Financial Statements for the Staff Car Loan and Mortgage Scheme</p>	<p>Note 23 to the financial statements reflects investment in staff mortgage loan and car loan of Kshs. 115,011,000 and Kshs. 11,326,000 respectively.</p> <p>However, the Fund did not prepare financial statements for the schemes and submit them for audit as required by Circular No SRC/ADM/CIR/1/12/Vol.III (128) of 17th December, 2014 on Car loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.</p> <p>Further, the Board gave concurrence for the Fund to source for alternative Car loan and Mortgage Scheme other than HFC. The National Treasury through a Memo Ref:AG.3/88/1Vol.59(32) dated 20</p>	<p>Management confirms it did not prepare separate financial statements for the scheme instead the scheme's financial statements were combined with that of the Fund.</p> <p>Failure to prepare the separate statements was an oversight on management as the memo was interpreted received late.</p> <p>The National Treasury got advice that the same was meant for larger schemes.</p> <p>Since, the Auditor General has clarified that it is only the registered/gazette schemes that are required to prepared separate financial statement. Commodities Fund does not have a registered scheme.</p> <p>Further, the Fund was granted authority to open and operate Commodities Staff Mortgage</p>	<p>Silas Nyaga- Finance Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

	<p>June,2022 gave authority to open and operate one Commodities Staff Mortgage Account. Commodities Fund opened an account with Cooperative Bank and deposited Kshs. 30,000,000 to the account (A/c No.01141030994600) without entering into a contract with Cooperative Bank on the management of the new scheme.</p> <p>In addition, the status report on the transition from HFC Scheme to the Cooperative Scheme was not provided for audited review.</p> <p>In the Circumstances, the Management contravened the requirements of the salary and Remuneration Commission on car loan and mortgage scheme.</p>	<p>Account with Co-operative bank on 20th June, 2022. (Annex 189A). Approved budgeted amount for the scheme Kshs. 30 million was deposited in the account on 30th June 2022.</p> <p>Operationalization of the scheme was done on 10th of February 2023 with the signing of the agreements on criteria and rules for offering mortgages to members. (Annex 189 B)</p> <p>In meantime, transfer of mortgage facilities issued by the HF to Co-operative bank is ongoing. The process took long since all staff holding the facilities had to be involved in every step as they are the ones to meet the cost of transfer. The exercise is expected to be completed by end of September 2023.</p>			
<p>190 Irregular Investment of Surplus Funds in Fixed Deposits at Commercial Banks</p>	<p>The reported cash and cash equivalents balances of Kshs. 1,880,202,000 includes Kshs. 1,794,659,000 being fixed deposits held in Commercial banks, as disclosed under Note 17(C) to the financial statements. This is contrary to the National Treasury Circular Ref: DMD 4/02 'H'(63) of 26 March,2018 which directed all state Corporations and Semi-Autonomous Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries. All</p>	<p>The Fund is aware of the The Fund was granted authority to invest in short term deposit/call deposit vide letter Ref: CONF/MOF/63/01 'TY' date 13th November 2017. This special concession was granted after considering the unique role/ mandate of the Fund and more specifically the need to avail credit promptly.</p> <p>Following the authority, the Fund invested its surplus liquid funds in call and short term deposits which do not go beyond six months. The arrangement has helped the Fund to invest</p>	<p>Silas Nyaga- Finance Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

	<p>funds previously held in fixed deposits in commercial banks/financial institutions were not to be rolled over but retired and invested in Treasury bills/bonds. Although the Management has provided authority from The National Treasury Ref: CONF/MOF/63/01 'TY' dated 13 November, 2017 in support of the fixed deposits, the letter only authorizes the Fund to invest in on call deposits.</p> <p>In the circumstances, the regularity of the investment of Kshs. 1,794,659,000 in fixed deposits accounts could not be confirmed.</p>	<p>its funds and lift the same any time they are required to disbursement to farmers without losing the already earned interest. Following you the query raised on this matter, the Fund sought new authority from the National Treasury and was granted on.....</p>			
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Ms. Nancy C Cheruiyot
Managing Trustee

Date:
14/12/2023

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMFUND

Projects

The sole project being implemented by ComFund in 2022/2023 was as follows:

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)
Coconut Revitalization Project	1169108400	GOK	5 Years	N/A	No	Yes
Cashew Nut Revitalization Project	169108400	GOK	5 Years	N/A	No	Yes

Status of Projects Completion

Status of completion is as follows:

Project	Total project Cost Kshs '000'	Total expended to date Kshs '000'	Completion % to date	Budget Kshs '000'	Actual Kshs '000'	Source of funds
Coconut Revitalization Project	1,000,000	120,000	10%	20,000	20,000	GOK
Cashew Nut Revitalization Project	850,000	-	0%	15,000	15,000	GOK

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

APPENDIX III: TRANSFERS FROM OTHER ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount – KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Recurrent Portion of development.	
State Department for Crops Development	4/8/2022	Recurrent	4,166,666.65	4,166,666.65	-	-	-	-	4,166,666.65
State Department for Crops Development	27/09/2022	Development	4,166,666.65	4,166,666.65					4,166,666.65
State Department for Crops Development	28/9/2022	Development	4,166,666.65	4,166,666.65					4,166,666.65
State Department for Crops Development	19/10/2022	Development	5,000,000		5,000,000				5,000,000
State Department for Crops Development	19/10/2022	Development	10,000,000	5,395,783.00	4,604,217.00			5,395,783.00	10,000,000
State Department for Crops Development	4/11/2022	Recurrent	4,166,666.65	4,166,666.65					4,166,666.65

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023**

State Department for Crops Development	07/12/2022	Recurrent	4,166,666.70	4,166,666.70							4,166,666.70
State Department for Crops Development	13/01/2023	Recurrent	4,166,666.70	4,166,666.70							4,166,666.70
State Department for Crops Development	13/02/2023	Recurrent	4,166,666.70	4,166,666.70							4,166,666.70
State Department for Crops Development	06/06/2023	Recurrent	3,611,111	3,611,111							3,611,111
State Department for Crops Development	09/06/2023	Recurrent	3,611,111	3,611,111							3,611,111
State Department for Crops Development	29/06/2023	Development	10,000,000					10,000,000			10,000,000
State Department for Crops Development	29/06/2023	Development	10,000,000				5,000,000				10,000,000
Total			71,388,889	41,784,672	14,604,217	15,000,000		5,395,785			71,388,889

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2023



Commodities Fund

Phone: (+254) 728 60 427/8;
Fax: +254-20-2: 10816
Email: info@comfund.co.ke
Website: www.comfund.co.ke

Confirmation of amounts received by Commodities Fund as at 30th June 2023

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] as at 30 th June 2023				Inter-ministerial (C)	Total (D)=(A+B+C)	Amount Beneficiary Entity (Ksh) as at 30 th June 2022	Differences (F)-(D-E)
		Recurrent (A)	Development (B)						
FT22216CQ05G	4/8/2022	4,166,666.65				4,166,666.65	4,166,666.65	-	
FT2227031LNC	27/9/2022	4,166,666.65				4,166,666.65	4,166,666.65	-	
FT22271RPPR3	26/9/2022	4,166,666.65				4,166,666.65	4,166,666.65	-	
FT2229296FPP			5,000,000.00			5,000,000.00	-	5,000,000.00	
FT222928XVDO	19/10/2022		10,000,000.00			10,000,000.00	25,000,000.00	(15,000,000.00)	
FT22318QNGFN	14/11/2022	4,166,666.65				4,166,666.65	4,166,666.65	-	
FT22341H9MFX	7/12/2022	4,166,666.65				4,166,666.65	4,166,666.65	-	
FT23013C91QX	13/01/2023	4,166,666.70				4,166,666.70	4,166,666.65	-	
FT23044SZX5B	13/2/2023	4,166,666.70				4,166,666.70	8,333,333.10	(4,166,666.60)	
FT23157N3VBR	6/9/2023	3,611,111.00				3,611,111.00	12,499,999.65	(8,888,888.95)	
FT2316060JUN	9/6/2023	3,611,111.00				3,611,111.00	4,166,666.65	(555,555.65)	
S05264911	29/6/2023		10,000,000.00			10,000,000.00	12,500,000.00	(2,500,000.00)	
S05264920	29/6/2023		10,000,000.00			10,000,000.00	12,500,000.00	(2,500,000.00)	
Total		36,388,888.65	35,000,000.00			71,388,888.65	99,999,999.65	(28,611,111.20)	

I confirm that the Amount above are correct as of as of the date indicated
Head of Account Department

Name: *Silvia Nyaga* Signature
Date: *24/8/2023*