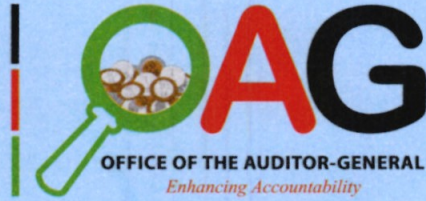


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REPORT


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TABLED
BY:

LEADER OF MAJORITY
PARTY
(HON. KIMANI LCHUNG'WAAH)

CLERK-AT
THE-TABLE:

J. LEMORELLE

THE AUDITOR-GENERAL

ON

**NATIONAL CEREALS AND
PRODUCE BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2025**





NATIONAL CEREALS AND PRODUCE BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the IFRS Accounting Standards

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1. Acronyms and Definition of Key Terms

A. Acronyms

IFRS	<i>International Financial Reporting Standards</i>
MD	<i>Managing Director</i>
NT	<i>National Treasury</i>
PFM	<i>Public Finance Management.</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
NCPB	<i>National Cereals and Produce Board</i>
NFR	<i>National Food Reserves</i>
SFR	<i>Strategic Food Reserves</i>
FBSC	<i>Food Balance Sheet Committee</i>
CBS	<i>Chief of the Order of the Burning Spear</i>
MBS	<i>Moran of the Order of the Burning Spear</i>
Rep.	<i>Representative</i>
MOALD	<i>Ministry of Agriculture and Livestock and Development</i>
ASALs	<i>Arid and Semi-arid Lands</i>
MBA	<i>Master of Business Administration</i>
NSSF	<i>National Social Security Fund</i>
AIC	<i>Africa Inland Church</i>
NIC	<i>National Industrial Credit</i>
NCBA	<i>National Commercial Bank of Africa</i>
CECM	<i>County Executive Committee Member</i>
ICT	<i>Information and communication technology</i>
BSc	<i>Bachelor of Science</i>
MSc	<i>Master of Science</i>
RUSI	<i>Royal United Services Institute</i>
PhD	<i>Doctor of Philosophy</i>
BA	<i>Bachelor of Arts</i>
ICPAK	<i>Institute of Certified Public Accountants</i>
ICPSK	<i>Institute of Certified Public Secretaries of Kenya</i>
KIA	<i>Kenya Institute of Administration</i>

<i>KSG</i>	<i>Kenya School of Government</i>
<i>CIM</i>	<i>Chartered Institute of Marketing</i>
<i>MSK</i>	<i>Marketing Society of Kenya</i>
<i>KESAP</i>	<i>Kenya Society of Agricultural Professionals</i>
<i>CIPS</i>	<i>Chartered Institute of Purchasing and Supplies</i>
<i>KIM</i>	<i>Kenya Institute of Management</i>
<i>UN</i>	<i>United Nations</i>
<i>CPA (K)</i>	<i>Certified Public Accountant Kenya</i>
<i>ASTGS</i>	<i>Agriculture Sector Transformation and Growth Strategy</i>
<i>NTD</i>	<i>NCPB Trading Division</i>
<i>EAGC</i>	<i>Eastern Africa Grain Council</i>
<i>EAC</i>	<i>East African Community</i>
<i>FY</i>	<i>Financial year</i>
<i>ISO</i>	<i>International Organization for Standardization</i>
<i>PPE</i>	<i>Property, plant, and equipment</i>

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information

a) Background information

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

b) Principal Activities

The main activities of the Board are: -

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

Vision Statement

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

Mission Statement

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

Values

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

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

c) Directors

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

- | | |
|-------------------------------|---|
| 1. The Hon. Samwel Mbae Ragwa | - Chairman (Appointed on 20th Apr 2023 up to 19th Apr 2026) |
| 2. Mr. Samuel Karogo Ndung'u | - Ag. Managing Director (Appointed on 2 nd May 2024) |
| 3. Mr. Raymond Komen | - Member (Appointed 20th Apr 2023 up to 19th Apr 2026) |
| 4. Ms. Juliet Dorcas Ngetich | - Member (Appointed 20th Apr 2023 up to 19th Apr 2026) |
| 5. Mr. Galgallo Wako Abagaro | - Member (Appointed 20th Apr 2023 up to 19th Apr 2026) |
| 6. Mr. Philip Tarus | - Member (Rep. Devolution & ASAL's)(Appointed 12th Oct 2018) |
| 7. Mr. Chris Makokha | -Member (Rep. Inspectorate)(Appointed 22nd December 2022) |
| 8. Mr. James Mungai | - Member (Appointed 20th May 2022) |
| 9. Mr. William C. Kirwa | - Member (Appointed 21st July 2023) |
| 10. Mr. Laban Kiplagat | - Rep. Ministry Of Agriculture (Appointed 20th Apr 2025) |
| 11. Mr. Mwangangi Mwanja | - Rep. Ministry of EA Community (Appointed 20th Apr 2025) |
| 12. Mr. John Thongori | - Member (Appointed 20th Apr 2025) |

d) Ag. Head of Legal Services

Veronicah Mapesa
P.O. Box 30586
Nairobi

e) Registered Office

Nyumba ya Nafaka
Machakos Road
P.O. Box 30586
Nairobi, KENYA

Key Entity Information (continued)

f) Corporate Headquarters

P.O. Box 30586
Nyumba ya Nafaka
Machakos Road
Nairobi, KENYA

g) Corporate Contacts

Telephone: 254(20) 536028/555288

E-mail: md@ncpb.co.ke

Website: ncpb.co.ke

h) Corporate Bankers

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

i) Independent Auditors



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



j) Principal Legal Advisers



1. The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



2. Advocates
Various
A list is available at the Board

3. The Board of Directors



SN	Directors	Details
1.	<p>Hon. Samwel Mbae Ragwa</p> 	<p>Hon. Samwel Mbae Ragwa is an experienced professional with a distinguished career in public service spanning over three decades. He began as a Personnel Officer II at the Ministry of Health in Nairobi and steadily progressed through various positions, including Personnel Officer I in charge of Eastern Province and Provincial Personnel Officer I in Central Province. Transitioning into hospital administration, Samwel served as the Administrator for Nakuru Provincial General Hospital, Nyeri Provincial General Hospital, and Meru General Hospital. He further advanced his career as the Administrator of Coast General Hospital in Mombasa and the Provincial Hospital Administrator for Eastern Province in Embu. With notable achievements, Samwel became the Director of Chogoria General Hospital. He is also the first Governor of Tharaka-Nithi County. He holds a Master's degree in Project Management and a Bachelor's degree in Economics and Sociology from the University of Nairobi.</p>
2.	<p>Ag. Managing Director, Mr. Samuel Karogo Ndung'u</p> 	<p>Mr. Ndung'u is a holder of a Master's degree in Business Management (Finance) from the University of Nairobi, and a Bcom graduate of Mangalore University, India. He has a wealth of experience in financial management and accountancy gained from serving both in public and private sectors. He has worked as an Audit Senior at WIA East Africa and with the Nyeri Water and Sewerage Company as head of Internal Audit and as Head of Finance and Administration; a position he held until January 2018. He also worked for Civicon Limited, a leading construction Company as the Chief Accountant. Mr. Ndung'u is a Certified Public Accountant of Kenya, a member of the Institute of Certified Public Accountants (ICPAK), a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK). Mr. Ndung'u is currently serving the board as the acting MD as from 2nd May 2024.</p>



<p>3.</p>	<p>Mr. Raymond Komen</p> 	<p>Mr. Raymond Komen Kimutai holds a Bachelor of Arts in Economics from the University of Nairobi and a Master of Business Administration in Strategic Management from the same institution. He started his career in the banking industry, working in senior management positions at K-Rep Bank (now Sidian Bank) and NIC Bank (now NCBA). In 2013, Raymond transitioned to public service and joined the Nakuru County Government as the Chief of Staff and Economic Advisor. He later served as a County Executive Committee Member (CECM) for Vocational Training, ICT, and E-Government from 2017 to 2019, followed by the position of CECM for Trade, Industrialization, Tourism, and Cooperatives from 2019 to 2022. His educational background and experience in the banking industry equipped him with a comprehensive understanding of economics, management, risk management, and institutional banking.</p>
<p>4.</p>	<p>Mr. Galgallo Wako Abagaro</p> 	<p>Mr. Galgallo Wako Abagaro holds a BSc in Military Science from Egerton University and an MSc in Governance, Peace and Security (Governance Option) from Africa Nazarene University. Galgallo worked as a Commissioned Military Officer in the Kenya Defence Forces. He then joined Olive Group Ltd as a Regional Operations and Crisis Manager, East Africa where he managed international and national security projects and teams spread across East Africa. In 2016, he became a Senior Project Manager at Royal United Services Institute (RUSI) for defense and security. He is currently pursuing a PhD in Public Administration from the National University of Public Service, Hungary.</p>




5.	<p>Ms. Juliet Dorcas Ngetich</p> 	<p>Ms. Juliet Dorcas Ngetich joined the Board on 20th April 2023. She holds a bachelor's degree in land Economics from Pioneer International University. Juliet has worked with Njuca Consolidated and Prestige Valuers. She is an administrative support professional with over ten years land management experience with ability to independently plan and manage diverse customer relationships.</p>
6.	<p>Mr. William Kirwa</p> 	<p>William Cheruiyot Kirwa is an accomplished professional with over three decades of experience in agriculture, banking, and leadership. He holds a BSc in Agriculture from the University of Nairobi and has held significant roles across various sectors. Beginning his career as an Agriculture Officer at the Ministry of Agriculture, William transitioned to a 28-year tenure at Kenya Commercial Bank, where he served as Senior Manager, contributing to strategic leadership and operational excellence until 2013. Currently, William manages medium-scale maize, dairy, coffee, and tea farming in Trans Nzoia and Nandi counties. He is the Board Chairman at A.I.C Tuigoin and Itigo Girls Secondary Schools.</p>


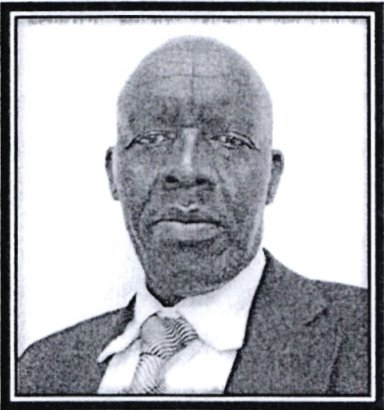
7.	<p>Veronicah Mapesa Shiundu, Ag. Head of Legal Services</p> 	<p>Ms. Shiundu holds a Bachelors of Law degree from Moi University (2012), a Post-Graduate Diploma from the Kenya School of Law (2014). She was admitted to the bar in March 2015 before joining the Board in October 2015. She is also a Certified Professional Mediator, CPM(MTI), Currently she is undertaking a Master of Laws degree and a Certified Secretaries Course (Intermediate Level).</p> <p>Prior to joining NCPB, She worked as an associate advocate at the firm of Ajaa Olubayi & Company Advocates. Ms. Veronicah is currently serving the board as the acting Head of Legal Services as from 2nd May 2024.</p>
8.	<p>Mr. John Thongori</p> 	<p>Mr. John Thongori is an experienced advocate currently managing J. Thongori and Co. Advocates. He holds two Bachelor's Degrees; Bachelor of Laws and Bachelor of Arts in Economics, both from Poona University in India. In addition, he holds a Post-Graduate Diploma in law from the Kenya School of Law and is a Certified Public Secretary.</p> <p>Mr. Thongori specializes in Information Technology Law, Corporate and Commercial Law, Intellectual Property Law, Banking, Conveyancing, International Trade Law, Business Law and Civil Litigation.</p> <p>He is a member of the Law Society of Kenya, Institute of Certified Secretaries of Kenya and Member of the Board of Trustees of Postal Corporation of Kenya Pension Scheme.</p>
9.	<p>Mr. Philip Tarus</p>	<p>Member (Alternate to PS, State Department of Special Programmes)</p>
10.	<p>James Mungai</p>	<p>Treasury appointed on 20/05/2022</p>
11.	<p>Mr. Chris Makokha</p>	<p>Representative, Inspectorate appointed 22/12/2022</p>
12.	<p>Mr. Laban Kiplagat</p>	<p>Rep. Ministry Of Agriculture (Appointed 20th Apr 2025)</p>
13.	<p>Mr. Mwangangi Mwanja</p>	<p>Rep. Ministry of East African Community (Appointed 20th Apr 2025)</p>



4. Key Management Team

SN	Management	Details
1.	<p>Samuel Karogo Ndung'u , Ag. Managing Director</p> 	<p>Mr. Ndung'u is a holder of a Master's degree in Business Management (Finance) from the University of Nairobi, and a Bcom graduate of Mangalore University, India. He has a wealth of experience in financial management and accountancy gained from serving both in public and private sectors. He has worked as an Audit Senior at WIA East Africa and with the Nyeri Water and Sewerage Company as head of Internal Audit and as Head of Finance and Administration; a position he held until January 2018. He also worked for Civicon Limited, a leading construction Company as the Chief Accountant. Mr. Ndung'u is a Certified Public Accountant of Kenya, a member of the Institute of Certified Public Accountants (ICPAK), a Certified Public Secretary and a member of the Institute of Certified Public Secretaries of Kenya (ICPSK). Mr. Ndung'u is currently serving the board as the acting MD as from 2nd May 2024.</p>
2.	<p>John Gichuru, Ag. General Manager, Finance and Accounting</p> 	<p>He possesses over 20 years' experience in financial management having previously worked with Homegrown K. Ltd and as a Consultant with World Bank. Holds a BA Economics and Business Studies from Kenyatta University and CPA (K) as well as a Trustee Development Programme Kenya (TDPK) certificate of proficiency. Responsible for the implementation of an appropriate accounting systems, producing financial reports and maintaining sound financial records. Mr. Gichuru is currently serving the board as the acting GMFA as from 2nd May 2024.</p>

<p>3.</p>	<p>Gideon Muthuri, Ag. General Manager Marketing And Operation</p> 	<p>Mr. Gideon M. Ntiritu holds a Master of Arts (Economics) degree from the University of Nairobi, Bachelor of Arts degree from Egerton University and Professional Diploma in Marketing from the Chartered Institute of Marketing (CIM) and he is a full member of the Marketing Society of Kenya (MSK). He has undertaken the Senior Management Course offered by Kenya School of Government (KSG) and other short-term courses such as performance management, change management and job evaluation in public sector. In addition, he has attended various courses in the field of marketing through MSK in Brand Management and Planning, Marketing Strategy, Digital Marketing, Customer Service, Key Account Management and leadership and integrity course offered by National Integrity Academy (NIA). He has garnered a great deal of experience in the grain sector having joined NCPB as a management trainee in 2001 and working in various positions, where has risen to the current position of Ag. General Manager Marketing and Operations. He has worked for the Board for 23 years. Mr. Muthuri is currently serving the board as the acting GMMO as from 2nd May 2024.</p>
<p>4.</p>	<p>Veronicah Mapesa Shiundu, Ag. Head of Legal Services</p> 	<p>Ms Shiundu holds a Bachelors of Law degree from Moi University (2012), a Post-Graduate Diploma from the Kenya School of Law (2014). She was admitted to the bar in March 2015 before joining the Board in October 2015. She is also a Certified Professional Mediator, CPM(MTI), Currently she is undertaking a Master of Laws degree and a Certified Secretaries Course (Intermediate Level). Prior to joining NCPB, She worked as an associate advocate at the firm of Ajaa Olubayi & Company Advocates. Ms. Veronicah is currently serving the board as the acting Head of Legal Services as from 2nd May 2024.</p>

<p>5.</p>	<p>James Theuri, Ag. Head HR and Administration</p> 	<p>Mr. James Theuri holds a Bachelor of Education (science) Hons. from Egerton University and a Higher Diploma in Human Resource from Kenya Polytechnic. He joined the Board in 2012 in the Department of Business and Research Development. Before joining the Board, he served in the Teachers Service Commission (TSC) for 15 years. He has also undertaken a Senior Management course by the Kenya School of Government (KSG). Mr. Theuri is currently serving the board as the acting HRM as from 3rd May 2024.</p>
<p>6.</p>	<p>Nelson Waswa Sawenja, Head of Procurement Services</p> 	<p>Mr. Sawenja holds a Master of Science Degree in Procurement, specializing in Purchasing and Supplies from University of Glamorgan-UK and a Graduate Diploma from Chartered Institute of Purchasing and Supplies (CIPS) -UK. He is a Member of CIPS (MCIPS) and Kenya Institute of Management (KIM). He has over 14 years' experience in procurement. Before joining the Board he worked at the UN where he has held several positions with different UN Agencies both locally and internationally. Mr, Waswa served the board as the HoP within the year from 1st August 2024.</p>
<p>7.</p>	<p>Maureen Letting, Ag. Head of Procurement Services</p> 	<p>Ms Maureen Letting holds a Bachelor of Business Management Degree, specializing in Purchasing and supplies from Moi University and a diploma from Chartered Institute of Purchasing and supplies (CIPS)-UK. She is a member of CIPS and Kenya Institute of Supplies Management (KISM). She has over 11 years of experience in procurement. Ms. Letting served the board as the acting HoP within the year as from 2nd May 2024 to 1st August 2024.</p>

8.	<p>Ambrose Njoroge Mutua, Head of Internal Audit</p> 	<p>Mr. Ambrose Njoroge holds a Bachelor of Commerce Degree in Finance from the University of Nairobi and a CPA (K). He joined the Board in 2007 as a management trainee and rose through the ranks. Prior to his appointment to the current position, Njoroge was the senior internal auditor. He also served as the NCPB regional Auditor in charge of the South Rift Region.</p>
9.	<p>Philip Kandie, Head of Warehousing & Hub Management</p> 	<p>Mr. Philip Kandie is an experienced grain handling, management and pest control specialist. He holds a Bachelor of Science and Master of Sciences degrees in Agriculture and Entomology, both from the University of Nairobi. In addition, he possesses certificates in Postharvest Management and Food Loss and Waste from the University of Sydney, Australia and Wageningen University & Research, Netherlands. Mr. Kandie joined NCPB in 1992 as a management trainee and has risen through the ranks to his current position of Ag. Head of Warehousing and Hub Management. He has been the Manager, Quality management for 14 years. Mr. Kandie served the board as the Head of Warehousing & Hub Management as from 24th February 2024 upon Kanyaa's retirement until 1st May 2024 then resumed on 1st August 2024.</p>

10.	<p>Joseph Kimeu, Ag. Head of Warehousing & Hub Management</p> 	<p>Mr. Kimeu holds a Master of Business Administration degree from Moi University and Bachelor of Arts degree, Political Science and Administration from University of Nairobi. He has 28 years' experience in operations management at NCPB. Mr. Kimeu temporarily served the board as the acting Head of Warehousing & Hub Management as from 2nd May 2024 until 1st August 2024.</p>
11.	<p>Tito Keino, Head of ICT</p> 	<p>He has worked in the board for over 25 years with vast experience in ICT and Financial Management and currently responsible for championing continuous optimization of the Board's operations and ensuring innovations and renewals of core processes as well as continuous availability of board's systems, networks, databases, and data security systems to guarantee reliability and optimum support of board's operations in line with the corporate strategic objectives. Holds a Bachelor of Commerce Degree (Management Information Systems) from the University of Nairobi and a Diploma in Computer Science (KNEC) he is also Certified (Sophos) engineer and has attended various courses on Information Security Management Systems.</p>

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Managing Director	Samuel Karogo Ndung'u
2.	Ag. General Manager, Finance and Accounting	John M. Gichuru
3.	Ag. General Manager Marketing and Operation	Gideon Muthuri
4.	Ag. Head of Legal Services	Veronicah Mapesa Shiundu
8.	Corporate Planning Manager	Noah K. Koskei
9.	Manager, Risk and Compliance	Bernard K. Yegon
11.	Ag. Head Human resource and administration	James Theuri
12.	Head of Procurement Services	Nelson Waswa Sawenja
13.	Ag. Head of Procurement Services	Maureen Letting
14.	Head of Internal Audit	Ambrose Njoroge Mutua
16.	Head of Warehousing & Hub Management	Philip Kandie
17.	Ag. Head of Warehousing & Hub Management	Joseph Kimeu
18.	Deputy Manager Corporate Communication	Titus Kiplimo Maiyo
19.	Ag. Head of ICT	Tito Keino
20.	Manager, Technical Services	Muoka Mwangi
21.	Manager, Security Services	Michael Karanja Wainaina
22.	Ag. Chief Accountant	Charles Onchangwa
24.	Regional Manager, Nairobi/Eastern	Alex Mutangili
25.	Regional Manager, Northern	Josephat Muvevi
26.	Regional Manager, Coast	Joseph N. Mangale
27.	Regional Manager, South Rift	Emily C. Kukwai
28.	Regional Manager, North Rift	Gilbert K. Rotich
29.	Regional Manager, Lake/Western	Dennis Mutai

6. Fiduciary Oversight Arrangements

NCPB currently does not have its own committees and is relying on the board's subcommittees for oversight. The established committees all have a member who is in management as follows:

Board Sub-committees

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

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

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

Finance and Procurement oversight Committee

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

- | | |
|----------------------------|--|
| • Mr. William Kirwa | Chairperson |
| • Mr. Samuel Ndung'u | Ag. Managing Director |
| • Ms. Juliet Ngetich | Member |
| • Mr. Mwangangi Mwanja | Member (Rep. Ministry of EAC) |
| • Mr. James Mungai | Member (Rep. National Treasury) |
| • Ms. Veronicah M. Shiundu | Secretary (Ag. Head of Legal Services) |

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

Audit and Risk Committee

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

- Mr. Galgallo Wako Abagaro Chairperson
- Mr. John Thongori Chairperson from April 2025
- Mr. Raymond Komen Member
- Mr. James Mungai Member (Rep. National Treasury)
- Mr. Laban Kiplagat Member (Rep. MOALF&C)
- Mr. Ambrose Njoroge Secretary (Internal Audit Manager)

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

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

The terms of reference of Committee are achieved through review and evaluation of the financial status of the NCPB, review of internal controls, consider performance and findings of internal auditors and recommend appropriate remedial action, review management reports and reports form

external auditors concerning deviations and weaknesses in accounting and operational controls, coordinate between the internal audit function and external auditors, monitor the ethical conduct of the institution and consider the development of ethical standards and requirements, including effectiveness of procedures for handling and reporting complaints, review any related party transactions that may arise within the industry set out the nature, role, responsibility and authority of the risk management and independent compliance functions in NCPB and outline the scope of risk management work, monitor external developments relating to the Practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impact, provide independent and objective oversight and review of the information presented by the management.

Operations, Business Development & Strategic Planning Committee

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

- Ms. Juliet Ngetich Chairperson
- Mr. Galgallo Wako Abagaro Chairperson from April 2025
- Mr. Samuel Ndung'u Ag. Managing Director
- Mr. William Kirwa Member
- Mr. Laban Kiplagat Member (Rep. MOALF&C)
- Ms. Veronicah M. Shiundu Secretary (Ag. Head of Legal Services)

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

Human Resource and Legal Affairs Committee

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

- Mr. Raymond Komen Chairperson
- Mr. Galgallo Wako Abagaro Chairperson from April 2025
- Mr. Samuel Ndung'u Ag. Managing Director
- Mr. John Thongori Member
- Mr. Mwangangi Mwanja Member (Rep. Ministry of EAC)
- Ms. Veronicah M. Shiundu Secretary (Ag. Head of Legal Services)

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

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

7. Chairman's Statement

In 2024, Kenya's economy continued to show resilience amid climate shocks, external trade disruptions, and ongoing structural reforms. Real GDP grew by 4.7%, slightly below the 5.7% recorded in 2023, reflecting a mixed performance across sectors. Agriculture remained central to economic activity, contributing 22.5% of nominal GDP and supporting livelihoods across the country.

The agricultural sector posted a growth rate of approximately 4.6%, with Gross Value Added (GVA) rising to KSh 1.706 trillion, up from KSh 1.6 trillion in 2023. Growth was driven by strong recoveries in sugarcane production which increased by 68.7% to 9.4 million tonnes and improved livestock earnings, which increased by 17.2% to KSh 235 billion. Dairy also performed well, with marketed milk up 12% and earnings rising 17.4% to KSh 60 billion. Paddy rice production increased by 23.2% to 282,200 tonnes, largely supported by government-backed irrigation schemes.

Despite these gains, the sector faced challenges. Erratic rainfall led to a 6.1% decline in maize production to 44.7 million bags. Horticulture exports, particularly cut flowers and vegetables, suffered from logistical constraints at Jomo Kenyatta International Airport and stricter EU regulations, leading to a 12.8% drop in earnings and a 14.1% fall in volumes.

Throughout the year, the National Cereals and Produce Board (NCPB) played a pivotal role in supporting agricultural recovery and food security. It facilitated the distribution of subsidized fertilizer to thousands of farmers, ensuring timely access to inputs despite logistical difficulties. NCPB also expanded its strategic grain reserves and continued maize and wheat market stabilization efforts, purchasing produce from farmers to ensure fair prices. Furthermore, the board advanced the implementation of the Warehouse Receipt System (WRS).

These efforts were carried out in alignment with national strategies such as the Bottom-Up Economic Transformation Agenda (BETA) and regional frameworks like the African Continental Free Trade Area (AfCFTA), which provided a supportive policy environment for growth. Digital tools, including the Kenya Integrated Agriculture Management Information System (KIAMIS), also played a growing role in enhancing transparency and farmer outreach.

Looking ahead to 2025, Kenya's economy is expected to regain momentum, with both the Central Bank and Treasury projecting growth of around 5.3% to 5.4%. Agriculture will remain a key pillar, supported by favourable weather, increased investment, and institutional reforms. The NCPB is expected to remain central to this outlook. By re-engineering its operations, enhancing post-harvest storage, promoting market access, and strengthening partnerships with input suppliers, the board is positioning itself as a critical enabler of food security and rural economic transformation.



Hon. Samwel Mbae Ragwa

CHAIRMAN

8. Report of the Managing Director

The agricultural sector continued to play a pivotal role in Kenya's economic performance and food security framework during the 2024/25 financial year. While it built upon the strong rebound observed in 2023, growth momentum moderated under the weight of climate variability, export market challenges, and logistical inefficiencies. According to the 2025 Economic Survey, the agriculture, forestry, and fishing sector recorded a 4.4% growth rate in 2024, down from 6.6% the year before. Despite the deceleration, the sector contributed significantly to the national economy, with its Gross Value Added (GVA) rising to Ksh 1.706 trillion, up from Ksh 1.634 trillion in 2023.

Agricultural earnings also increased by 7.2%, totaling Ksh 690 billion, reflecting notable gains in key value chains such as sugarcane, rice, and livestock. However, a notable decline in maize production and horticultural export earnings tempered the overall optimism and highlighted vulnerabilities in weather-dependent systems and external market access.

Subsector Performance: Mixed Outcomes across Crops

The cereal subsector faced a challenging year, particularly in maize production. After registering a 38.8% increase in 2023, maize output fell by 6.1% in 2024, dropping from 47.6 million to 44.7 million bags. This contraction was largely attributed to erratic short rains during the latter part of the year. Despite the reduced output, earnings from cereals rose by 5.7%, signaling potential improvements in prices or performance in other grains.

On the upside, sugarcane production surged by 68.7%, reaching 9.4 million tonnes, driven by expanded acreage and improved yields. Rice production also posted a strong performance, growing by 23.2% to 282,200 tonnes, supported by targeted irrigation projects in areas like Taveta and Kimira. These gains demonstrate the impact of public investment and government focus on strategic staple crops.

The horticultural export sector, however, faced significant hurdles. Export volumes of fresh produce declined by 14.1%, and earnings fell by 12.8% to Ksh 136.6 billion, down from Ksh 156.7 billion in 2023. These declines stemmed from increased regulatory rejections in EU markets due to pesticide residue and pest concerns. The value of fresh vegetable exports was halved, while cut flower revenues dropped slightly. In contrast, fruit exports expanded by 26.5%, both in volume and value, reaching Ksh 41 billion, driven by diversification in export destinations and improved compliance with market standards.

The livestock and dairy sector maintained strong growth, with livestock earnings rising by 17.2%, and marketed milk volumes increasing by 12% to 908.4 million litres, generating approximately Ksh 60 billion. Slaughter figures for cattle, goats, sheep, and camels also rose sharply, reflecting improved market linkages and off-take systems in pastoral regions.

NCPB's Role in Market Access and Input Distribution

A critical player in Kenya's agricultural ecosystem, the National Cereals and Produce Board (NCPB) continued to support market stabilization, food security, and farmer empowerment. Among the most notable operational developments was the expansion of NCPB's selling centers under the Last Mile Distribution Project, aimed at enhancing farmers' access to subsidized inputs and key services.

Through this initiative, NCPB has been establishing retail and aggregation points closer to farming communities, bridging logistical gaps and reducing transport costs for smallholder farmers. These selling centers offer not just fertilizers and certified seeds, but also technical support, price information, and post-harvest services. By localizing access to critical inputs, the board is improving productivity and reinforcing the resilience of farming households, particularly in remote or underserved areas.

In parallel, NCPB is also involved in feasibility studies for a Public-Private Partnership (PPP) initiative, signaling a strategic shift toward long-term financial sustainability and private sector collaboration. The PPP project currently in its early assessment stages seeks to inject capital and operational efficiency into the board's core infrastructure and logistics services. It aims to modernize grain storage, enhance input distribution networks, and create scalable models for grain value chain financing. If successfully implemented, the PPP framework could reduce reliance on costly commercial bank loans and unlock new investment into warehousing, processing, and digital service delivery.

Challenges and Strategic Opportunities

Despite these promising initiatives, the NCPB continues to grapple with legacy financial issues. Operational losses, although reduced in recent years, remain a concern, particularly in light of increased sales turnover. The board's continued dependence on short-term commercial borrowing, coupled with pending reforms in procurement and debt restructuring, raises questions about its long-term viability without deeper structural adjustments.

Weather variability, especially in the form of erratic rainfall, remains a recurring threat to both NCPB operations and national agricultural output. While the long rains (March–May 2024) were relatively favorable, the short rains (October–December 2024) were unpredictable, undermining planning and harvest cycles for key crops. This underscores the urgency of integrating climate resilience strategies into NCPB's planning through insurance, irrigation partnerships, and early warning systems.

Nevertheless, NCPB's strategic alignment with Vision 2030, its commitment to ISO 9001:2015 standards, and its partnerships with regional actors like the Eastern Africa Grain Council place it in a strong position to lead food systems modernization in Kenya. The roll-out of a Warehouse Receipt System (WRS) has the potential to transform rural financing and empower smallholders.

Conclusion and Outlook

The 2024/25 financial year saw the Kenyan agricultural sector maintain growth under testing conditions. Subsector performance was mixed: gains in sugarcane, rice, livestock, and fruit exports were partially offset by declines in maize production and horticultural exports. Overall, the sector's contribution to the economy remained robust, reinforcing its strategic importance.

For the NCPB, the year was marked by a proactive push toward decentralized access, institutional reform, and investment readiness. The establishment of selling centers through the Last Mile Project has already begun to reshape how farmers interact with agricultural markets and services. Meanwhile, the PPP feasibility study offers a forward-looking opportunity to reimagine the board's role through private-sector-driven efficiency and innovation.

As Kenya looks ahead to the 2025/26 fiscal year, the emphasis must remain on operational reform, climate-smart planning, and strategic partnerships that bridge public and private capital. The NCPB, with its national footprint and evolving mandate, remains central to this journey poised to enable a more inclusive, resilient, and commercially viable agricultural system.



Samuel Karogo Ndung'u

AG. MANAGING DIRECTOR

9. Statement of Performance against Predetermined Objectives for FY 2024/25

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

NCPB has *Seven (4)* Key Results Areas (KRAs) and 10 Strategic Objectives within the current Strategic Plan 2023-2027. These Strategic Plan’s KRAs are as follows:

KRA 1: Commodity Trading and Distribution

KRA 2: Management of the National Strategic Reserve (NSR)

KRA 3: Provision of Agricultural Solutions

KRA 4: Strengthening Institutional Capacity

NCPB develops its annual work plans based on the above *Four (4)* KRAs. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The NCPB achieved its performance targets set for the FY 2024-2025 period for its Four (4) KRAs, as indicated in the Table below:

KRAs/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
KRA 1: Commodity Trading and Distribution	1. To Grow income from 1.4 billion to 5.2 billion and thereafter grow by 10% annually. 2. To achieve consistent supply of Agricultural products that meet market demand sustainably. 3. To create sustainable and competitive commodity sourcing.	Profitable business ventures Low finance cost Steady cash flow Consistent availability of trading commodities’ stocks	Sourcing Agricultural commodities at the onset of harvesting seasons. Pursuing forward contracts with large scale farmers and organizations.	81.3% Provision of budgetary allocation to all identified business lines. • Sourcing and distribution of 306,426 Metric Tons (92.5%) of trading commodities against a target of 331369 Metric Tons.
KRA 2: Management of the National Strategic Reserve (NSR)	1. To ensure Food Security and stability by sourcing and maintaining a national strategist	Full Utilization of the allocated resources for sourcing of NSR stocks.	Purchase of the NSR stocks (Maize, Rice, Beans, and Green Grams)	66.9% • 1,495 x 50Kgs of NSR stocks were purchased against a target of 27,000MT Periodic reports on the NSR completed and submitted.

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	reserve of food commodities comprising of 90,000MT base stock and 54,000MT of price stabilization stock annually.				
KRA 3: Provision of Agricultural Solutions	1. To enhance food safety, security and reduce post-harvest losses by offering efficient post-harvest services including warehousing and packaging, resulting in a 20% reduction in post-harvest losses in the planned period.	Increased food production through access to farm inputs. Increased quality checks to ensure availability of safe food.	Distribution of the GoK subsidy fertilizer. Provide drying services with the Provision of warehousing and storage services additional mobile driers. Provision of grading and aflatoxin testing services Provision of pest control services Operationalization of grain cleaning and grading services Setting up and operationalization of mycotoxin decontamination facilities	84.8%	The access to drying services was increased by availing mobile driers across the network though the utilization is not optimal. Optimized the storage capacity by leasing out the excess spaces to private operators. Aflatoxin testing for grain was mandatory for every consignment offered for purchase before acceptance Green grams and beans cleaning plant was operationalized. Decontamination plants installed in Bungoma and Nairobi are not yet operational.
KRA 4: Strengthening Institutional Capacity	1. To increase the efficiency and capacity of grain handling by 30% while reducing operational cost by 15% by the plan Period. To integrate Human Resource management practices within the	Efficient facilities Comply with statutory and customer requirements Improve accessibility and boost corporate image Installed systems and Improved operational efficiency Optimal staffing	Formulate the commercial trading policy and Partnership Guidelines. Undertake stakeholder analysis.	80.6%	Commercial Trading Policy was developed and implemented accordingly Several Memorandum of Understanding were signed with various stakeholders especially towards implementation of the Hub Business Model hence maintaining Strong relationship with the Strategic partners. The Board also received the

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<p>framework of the Board's Corporate Strategy. To attain Financial Sustainability. To improve on ICT system in order to achieve a 25% improvement in system reliability and security. To enhance the corporate image and promote public trust to realize a 20% increase in positive media coverage and a 15% increase in stakeholder trust.</p>	<p>levels Optimal staffing levels Adequate number of staff holding the requisite knowledge, skills, and competencies as well as experience at all times Reduced bad debts Upgraded software Additional internet bandwidth Positive image and Perception Publicity, visibility Improved customer satisfaction</p>			<p>Goodwill from the Government of Kenya. The Cyber Security section was created in the ICT department with a dedicated officer in charge. Internet connectivity has been stabilized with an increased Broad bands to 450MBPS</p>
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How NCPB has tied Strategic Plan achievements to performance contracts

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

Strategic Plan Pillar	Performance Contract Indicator
KRA 1: Commodity Trading and Distribution	Form 1A: Financial Stewardship and Discipline Form 3A: Core Mandate
KRA 2: Management of National Strategic Reserve (NSR) KRA 3: Provision of Agricultural Solutions	Form 3A: Core Mandate
KRA 4: Strengthening Institutional Capacity	Form 2A: Service Delivery Form 7A: Cross-Cutting Issues

10. Corporate Governance Statement

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

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

Board Composition

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

Appointments and Induction to the Board

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

Board's Responsibilities

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

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

Board and Strategy Meetings

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

Board Chairman and Managing Director

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

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

Board performance Evaluation

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

Director's Remuneration

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

Internal Control and Audit

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

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

Risk Management and Compliance

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

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

Conflicts of Interest

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

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Directors' Attendance 2024/2025 FY

No	Names	Designation	Full Board	Sub-Committees			
				Finance & Procurement Oversight)	Operations, business Development & Strategic Planning	Human Resource & Legal affairs	Audit
1.	Hon.Samwel Mbae Ragwa	Chairman	5	0	0	0	0
2.	Mr. Samuel Karogo Ndung'u	Member	5	4	3	3	0
3.	Mr. William C. Kirwa	Member	5	1	1	3	3
4.	Mr. Galgallo Wako	Member	5	3	3	1	1
5.	Ms. Juliet Dorcas Ng'etich	Member	4	0	1	3	3
6.	Mr.Raymond Komen	Member	4	3	3	1	0
7.	Mr. Chris Makokha	Rep. (Inspectorate)	2	0	0	0	1
8.	Mr. Philip Tarus	Rep. (MOD & ASAL's)	1	0	1	3	0
9.	Mr. James Mungai	Rep. (Treasury)	5	4	0	0	4
10.	Mr. Laban Kiplagat	Rep. (Min. of Agr.)	4	0	3	0	4
11.	Mr. Mwangangi Mwania	Rep. (Min. of EAC)	3	0	0	1	0
12.	Mr. John Thongori	Member	1	0	0	0	0

11. Management Discussion and Analysis

1. Establishment of the Commodity Exchange / Warehouse Receipt System

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

This will also address the need for Government led price intervention commodity market towards economic based markets. The progress is as follows;

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

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

2. e-Commerce

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

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

3. Devolution of Agriculture

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

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

Challenges and Opportunities

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

Low working Capital

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

The National Cereals and Produce Board (NCPB) owed Kshs. 3.07 billion from previous years' social intervention programs funded by the Government of Kenya. While this amount was fully paid, NCPB continues to rely on bank loans to support these initiatives. This year, however, no loan was taken. Given our current operating losses, servicing the interest on any loan is expected to place a significant strain on our limited resources.

Update on Restructuring

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

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

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

Aging physical infrastructure

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

NCPB has commenced depot rationalization process that will lead to shedding off of underutilized storage facilities. The process involves categorization of depots based on their business contribution and moth-balling of depots that are not financially viable. Furthermore, upgrades and renovations are underway with support from a grant from the government.

Unpredictable production trends

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

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

12. Environmental and Sustainability Reporting

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

***i)* Sustainability strategy and profile**

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

***ii)* Environmental performance**

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

***iii)* Employee welfare**

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

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

iv) Market place practices

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

a) Responsible competition practice.

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

b) Responsible supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

v) Corporate Social Responsibility / Community Engagements

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

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

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Tree nursery in Embu Depot established on August 15th 2024.



NCPB Staff pose for a group photo after participating the Mater Heart Run held in May 31st 2025.



Handball team presenting the National Handball League trophy to the managing Director on 7th February 2025

13. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the NCPB's affairs.

i) Principal activities

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

ii) Results

The operating results for the year ended 30th June 2025 are set out on page 1. Below is summary of the profit or loss made during the year.

	Kshs	Kshs
Operating profit before Depreciation & Provisions	475,907,624	222,945,716
Less:		
Depreciation	1,005,163,142	1,126,990,846
Amortization	16,390,508	8,075,127
Bad and doubtful debts	180,565,260	<u>80,208,480</u>
	<u>1,678,026,533</u>	<u>1,215,274,453</u>
<u>Net Loss</u>	<u>(726,211,285)</u>	<u>(992,328,737)</u>

iii) Directors

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

iv) Auditors

The Auditor General is responsible for the statutory audit of the Board in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of NCPB for the year ended June 30, 2025.

By Order of the Board



Ms. Veronicah M. Shiundu

Ag. Head of Legal Services

5th December 2025

14. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2025, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Board's financial statements were approved by the Board on 5/12/ 2025 and signed on its behalf by:



Hon. Samuel Mbae Ragwa

Chairman



Samuel Karogo Ndung'u

Ag. Managing Director

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025



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REPORT OF THE AUDITOR-GENERAL ON NATIONAL CEREALS AND PRODUCE BOARD FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 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.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Cereals and Produce Board set out on pages 1 to 157, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Cereals and Produce Board at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the National Cereals and Produce Board Act, 1985 and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Commission on sale of subsidized fertilizer

The statement of profit or loss and other comprehensive income and Note 6 to financial statement reflects revenue amount of Kshs.37,127,110,000. However, the reported revenue excludes commission on sale of 8,270,328 bags of subsidized fertilizer where Management budgeted for commission of Kshs.170 for every bag of subsidized fertilizer sold translating to Kshs.1,405,955,460. The commission earned was not recognized in the financial statement.

In the circumstances, the accuracy and completeness of the revenue amount of Kshs.37,127,110,000 could not be confirmed.

2.0 Property Plant and Equipment

The statement of financial position and Note 17 to the financial statements reflects property, plant and equipment balance of Kshs.15,891,858,000. Review of supporting documents and the asset register revealed the following anomalies;

2.1 Failure to Revalue Fully Depreciated Assets

The property plant and equipment balance of Kshs.15,891,858,000 includes fully depreciated assets with a cost value of Kshs.724,687,560 which have not been revalued as at 30 June, 2025

In the circumstance, the accuracy and valuation of fully depreciated property, plant and equipment balance of Kshs.724,687,560 could not be confirmed.

2.2 Lack of Ownership Documents for Land

Included in the property, plant and equipment balance of Kshs.15,891,858,000 is land with a Net book value of Kshs.5,393,601,770 which includes thirty (30) parcels of lands whose ownership documents were not provided for audit.

2.3 Land Encroachment-Kericho Depot

Physical verification of NCPB land located in Kericho revealed that the land had been encroached by a private developer. Further, documentation provided for audit revealed that three corporate tenants occupying the parcel of land had cumulative outstanding rents amounting to Kshs.2,817,560 due to termination of tenancy with effect from 30 June, 2025 and efforts to reach the said tenants had gone futile.

In the circumstances, the Board is at risk of losing the encroached land and the recoverability of the rent arrears may not be guaranteed.

2.4 Theft of Motor Cycle and Accident of Motor Vehicle

Included in the property, plant and equipment balance of Kshs.15,891,858,000 is motor vehicles and motor cycles with a net book value of Kshs.13,400,442. Analysis of asset register revealed that a motor cycle got stolen on 15 August, 2024 and Madison general insurance had put a claim of KShs.43,790 as amount insured which had not been settled as at 30 June, 2025. Further, a motor vehicle had been involved in accident on 3 February, 2025 and the total loss was Kshs.2,050,000. However, insurance has not yet compensated for the loss as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the property, plant and equipment of Kshs.15,891,858,000 could not be confirmed.

3.0 Trade and other receivables

The statement of financial position and Note 20 to the financial statements reflects trade and other receivables balance of Kshs.14,101,567,092. The following issues were noted

3.1 Unsupported Long Outstanding Trade Receivables

Included in trade and other receivables balance of Kshs.14,101,567,092 is trade receivables balance of Kshs.1,830,157,581 out of which Kshs.1,129,824,168 have been outstanding for more than 120 days. Although a cumulative provision for doubtful receivables of Kshs.1,010,052,893 has been recognized in the financial statements, the recoverability of these debts could not be confirmed due to the absence of records and evidence of recovery efforts.

In addition, gross trade and other receivables balance includes Kshs.112,932,107 relating to staff debtors, out of which Kshs.105,322,512 has been outstanding for over one hundred twenty (120) days in respect of cash losses, imprests, other losses, and stock shortages. A provision of Kshs.95,048,963 has been provided on staff debtors. However, the basis of the provision was not explained or provided for audit review.

3.2. Unsupported Government Debtors

Included in other receivables balance of Kshs.14,101,567,092 is Government debtors amount of Kshs.12,318,674,378. Included is Government Debtors new agency account of Kshs.614,410,047 which is net of provision for bad and doubtful debts of Kshs.1,492,687,217. However, the basis of this provision has not been explained.

In addition, Government Debtors -MOA Fertilizer Kshs.11,704,264,331 remained outstanding as at 30 June, 2025. No evidence was provided to show how the Government was to clear the balance.

In the circumstances, the completeness and recoverability of trade and other receivables could not be confirmed.

4. Unsupported Long Outstanding Trade and Other Payables

The statement of financial position and Note 29 to the financial statements reflects trade and other payables of Kshs.21,048,709,942. Included in this amount is trade payables balance of Kshs.13,085,119,551 which relates to GOK subsidy programme which the government has not settled. In addition, trade payables amounting to Kshs.4,475,729,739 has remained outstanding for more one year. Further, included in the trade and other payables are GOK on fertilizer sales, GOK on past market intervention, Government agency programme and Payments due to GOK on SGR maize sales of Kshs.2,824,564,733, Kshs.174,063,028, Kshs.143,195,039 and Kshs.3,935,310,222 respectively. Engagement with Management revealed that these payables relate to transactions with the line Ministry dating back in 1994/1995. However, evidence to ascertain the authenticity of these transactions were not provided for audit review.

In the circumstances, the accuracy and completeness of trade and other payables of Kshs.21,048,709,942 could not be confirmed.

5. Undisclosed Material Uncertainty Related to Going Concern

The statement of financial position reflects total current assets balance of Kshs.18,945,898,706 against total current liabilities of Kshs.22,013,475,530 resulting in a negative working capital of Kshs.3,067,576,824 (Kshs.3,116,094,519 for financial year 2023/2024). Further, the Board made a loss of Kshs.726,211,285 (2023/2024 loss of Kshs.992,328,737)

The National Cereals Board has remained in negative working capital over the years and Management has indicated that when the Government will settle the outstanding debt, the negative working capital position will be cleared. The government has not honored its fertilizer Debt in time. There is a threat on the entity's going concern and the financial statements have been prepared on a going concern basis assuming continued support from the Government and other stakeholders.

In the circumstances, the Company continued ability to continue to sustain its services could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Cereals and Produce Board Management in accordance with ISSAI 130 on 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.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,092,774,542 and Kshs.1,574,482,460 respectively, resulting in underfunding of Kshs.1,518,292,082 or 49% of the budget. Similarly, the Board spent Kshs.3,065,547,303 against the actual receipts of Kshs.1,574,482,460 resulting in over absorption of Kshs.726,211,285.

The underfunding affected planned activities and may have impacted negatively on service delivery to the public.

2. Tax Payable

The statement of financial position and Note 31 to the financial statements reflects tax payable amount of Kshs.964,765,588 in respect to value added tax arrears payable to Kenya Revenue Authority (KRA) on provision of agencies services to the government. Included in this amount is Kshs.410,092,367 tax that has remained outstanding since 2012. The PS-MOALF wrote to KRA on 22 March, 2016 proposing a repayment plan for the principal VAT arrears as approved by Strategic Food Reserve (SFR) Board. However, vide their letter dated 6 April, 2016, KRA wrote indicating that the payment plan had been rejected indicating that the full settlement should be within a period of twelve months and threatened to effect recovery action. The National Assembly Departmental Committee on Agriculture Livestock and Cooperatives seized the matter to find an amicable solution. This amount continues to attract penalties and interest that have not been assessed and incorporated in the financial statements.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Non-Integration of Business Central 365 System with Mezzanine System

Engagements with National Cereals and Produce Board (NCPB) Senior Management and the IT department established that NCPB recently migrated from Microsoft Dynamics NAV to Dynamics 365 Business Central to enhance operational efficiency.

However, the new Business Central 365 system has not been integrated with the Mezzanine System at the Ministry of Agriculture used for fertilizer redemption. As a

result, staff are forced to manually transfer data from the Mezzanine System into Business Central 365.

In the circumstances, there is significant risks of errors and continued reliance on inefficient manual processes

2. Contingent Liabilities

The Board has disclosed contingent liability amount of Kshs 469,605,720 as disclosed at Note 34 to the financial statements. However, the note does not provide (a) a description of the nature of each class of contingent liability, (b) an indication of the uncertainties about the amount or timing of any outflow, and (c) the possibility of any reimbursement as required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In the circumstances, we could not assess the nature, potential timing and magnitude of the risk the Board is exposed to.

3. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve them as at 30 June, 2025 as shown below;

1. Unaccounted for Inventories
2. Bank and Cash Balances
3. Unsatisfactory Matters in Trade Debtors and Pre-payment
4. Unsupported Medical Advances
5. Non-compliance with Debt and Credit Policy
6. Lack of Ownership Documents for Land
7. Lack of Motor Vehicles Ownership Documents
8. Encroachment on the Board's Property
9. Creditors due to GoK on Strategic Grain Reserve (SGR) Maize Sales
10. Contingent Liabilities
11. Budgetary Control and Performance
12. Material Uncertainty Relating to Going Concern
13. Variance between Approved Staff Establishment and Actual Posts
14. Irregular Payments of Acting Allowances
15. Irregular Payment of Special Duty Allowance
16. Cost of Sales – Purchases
17. Supply of Sub-Standard Fertilizer by a Non-Existent Supplier
18. Substandard Distribution of NPK: 10:26:10 Fertilizer
19. Procurement of UREA (46%N)
20. Fertilizers and Cereals That were not Delivered to the Depots
21. Seized Fertilizers
22. Fertilizers That were Replaced for Farmers

23. Supply, Installation and Commissioning Color Sorter for NCPB Rice Mill
24. Supply for installation and commissioning of Pulses Cleaning Machine at GCP Depot
25. Loss of Stock Held in the NCPB Stores
26. Physical Dispatch Stock Variance between Mombasa, SGR terminal and Maisha Minerals
27. Dryers delivered but Not in Use
28. Mobile Driers - Lack of Proper Documentation
29. Fixed Driers and Silos – Inefficient Management of Asset
30. Status of Various NCDP Depot Stations
31. Lack of Gender Diversity on the Board of Directors
32. Failure to Maintain Fixed Asset Register and Untagged Assets
33. Non-Operationalization of National Food Reserve and National Trading Divisions
34. Asbestos Materials
35. Obsolete Items
36. Non-Compliance with the Establishment of Board Committees
37. Lack of Gender Diversity on the Board of Directors
38. Non-execution of Governance Audit
39. Incomplete Assets Register
40. Dilapidated Buildings and Stores at the Depots
41. Lack of Documented and Approved Procedures Policy / Manual for Agency Contracts and Agreements

Other Information

The Management is responsible for the Other Information set out on page v to xlii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Staff Cost

The statement of profit or loss and other comprehensive income and Note 12 to the financial statement reflect administration costs amount of Kshs3,034,666,051. Included in this amount is staff costs amount of Kshs.1,252,364,000. Review of records revealed the following anomalies;

1.1 Irregular Payment of Acting Allowance

An analysis of National Cereals and Produce Board's payroll revealed that Twenty-Five (25) staff members were paid acting allowances for more than 6 months which is contrary to Section C 14(1) of the Human Resources Policies and Procedure Manual for Public Service, 2016

In the circumstances, Management is in breach of the provisions of Human Resource, Policies and Procedures Manual for Public Services, 2016.

1.2 Irregular Payment of Special Duty Allowance

An analysis of National Cereals and Produce Board's payroll revealed that Two (2) staff members were paid special duty allowances for more than 6 months which is contrary to Section C 15(4) of the Human Resources Policies and Procedure Manual for Public Service, 2016.

In the circumstances, Management is in breach of the provisions of Human Resource, Policies and Procedures Manual for Public Services, 2016.

1.3 Understaffing of Staff Establishment

An analysis of the approved staff establishment and the current staff list revealed that the Board has an approved establishment of 1,140 posts but only 746 employees in post. This represents a staffing shortfall of 394 posts (35%), which is contrary to Section 2.2(4) and (5) of the National Cereals and Produce Board Human Resource Policies and Procedures Manual (June 2019), which require the Board to maintain adequate staffing levels and fill vacancies expeditiously.

In the circumstances, Management is in breach of the provisions of its Human Resource, Policies and Procedures Manual

1.4 Employees Earning Net Salary Less than One Third of Basic Pay

Examination of the payroll for the year under review established that 99 staff members were paid a net salary of less than one third of their basic salaries after statutory deductions in contravention of Section 19(3) of the Employment Act, 2007, which expressly prohibits an employer from deducting any amount that would cause an employee's net pay to fall below one-third of his or her basic salary.

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

2.0 Non-Compliance with Affirmative action on Gender, regional distribution and People Living with Disabilities.

2.1 Employment of Person's Living with Disabilities (PWDs)

A review of the employment records at the Cereals and Produce Board revealed that, out of the total work force of 746 employees, only Twelve (12) or 1.6% are persons living with disabilities. This falls far below the constitutional threshold stipulated in article 54(2) of the constitution of Kenya, 2010 that requires that at least five percent of the members of the public in elective and appointive bodies are persons with disabilities.

In the circumstances, Management has failed to realize the rights of persons with disabilities in employment as mandated by the Constitution.

3.0 Cost of Sales - Purchases

The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflects cost of sales amount of Kshs.35,552,627,540. Included in this amount is purchases amounting to Kshs.32,439,448,004. Review of procurement records revealed the following anomalies;

3.1 Irregular Procurement of Goods, Works and Services from Non-Prequalified Suppliers

During the financial year under review, the National Cereals and Produce Board expended a total of Kshs.128,621,817 on the procurement of goods, works and services from various suppliers. The expenditures were supported by the approved procurement plan and contract agreements duly executed between the Board and the respective suppliers. However, the suppliers engaged for these transactions were not in the Board's register of prequalified suppliers. In addition, there was no correspondence or approval on record showing that the Board had applied for and been granted permission by the head of another procuring entity to utilise that entity's list of prequalified suppliers, as allowed under Section 71(3) of the Public Procurement and Asset Disposal Act, 2015.

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

3.2 Procurement of Fertilizers Outside Approved Procurement Plan and Budget

A review of Local Purchase Orders issued for fertilizer as at 21 May, 2025 revealed that the National Cereals and Produce Board procured a total of ten million, two hundred and twenty-nine thousand, two hundred (10,229,200) bags of fertilizer. This quantity substantially exceeded the Board's own approved procurement plan and budget of seven million, three hundred thousand (7,300,000) bags. In addition, the Ministry of Agriculture and Livestock Development had, through two separate letters (ref: MOA/LCD/9/41 dated 21 August 2024 and ref: MOA/LCD/9/41 dated 26 November 2024), authorized a combined total of only eight million, four hundred thousand (8,400,000) bags comprising four million, nine hundred thousand (4,900,000) bags and three million, five hundred thousand (3,500,000) bags respectively for the long and short rains seasons resulting in procurement of (2,929,200) bags above its own approved plan and budget, and one million, eight hundred and twenty-nine thousand, two hundred (1,829,200) bags above the quantity expressly authorized by the parent Ministry. Management was not able to provide any evidence showing the source of funds used to finance the excess bags.

It was further noted that the Ministry of Agriculture repeatedly varied the required quantities during the course of the financial year. However, no documentation was provided to demonstrate that these variations were supported by a proper needs assessment, analysis of historical fertilizer uptake, current stock levels, or verified farmer demand data.

In the circumstances, Management was in contravention of the Public Finance Management Act, 2012.

3.3 Non-performance of Various Fertilizer Suppliers' Contrary to Contract Agreement

A review of the fertilizer performance report as at 21 May, 2025 established that several suppliers awarded contracts for the supply of various types of fertilizer failed to deliver the contracted quantities within the timelines stipulated in their respective contract agreements.

This non-performance and delayed delivery seriously disrupted the timely distribution of subsidized fertilizer to farmers during critical planting seasons.

4.0 Long Outstanding Legal Cases

The statement of profit or loss and other comprehensive income and Note 12 to the financial statement reflect administration costs amount of Kshs.3,034,666,051. Included in this amount is legal and other professional fees of Kshs.20,127,344. Review of the supporting documents revealed that the Board had fifteen (15) ongoing court cases some dating back to twenty (20) years while some are still pending payment.

In the circumstances, the Board will continue to be vulnerable to risks relating to the cases.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Conduct Governance Audit

The Statement of Financial Performance and Note 12 to the financial statements reflects total administration costs of Kshs. 3,301,604,811. Included in this amount is directors' emoluments amounting to Kshs. 16,058,153. However, during the year under review, the Board of Directors did not conduct a governance audit contrary to the requirements of the Mwongozo Code of Governance for State Corporations, issued through Presidential Executive Order No. 7 of 25 March 2015 which requires the Board, in consultation with the State Corporations Advisory Committee (SCAC), to initiate an annual governance audit of the entity. The audit must be performed by a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) and should, among other areas, evaluate the governance practices of the organisation.

In the circumstances, Management was in breach of the Mwongozo Code of Governance.

2. Employee Expenditure in Excess of Fiscal Responsibility

The statement of profit or loss and other comprehensive income and Note 12 to the financial statement reflects Administration cost amount of Kshs.3,034,666,051. included in this amount is staff costs of Kshs.1,252,364,000 which represent 51.5% of the total revenue of Kshs.2,432,042,499, this exceeds 35% limit set under regulation 26(1) of the Public Finance Management 2015, Regulations which establishes key fiscal responsibility principles for national government entities, including the requirement to limit employee compensation expenditure to a maximum of 35% of total revenue

In the circumstances. Management was in breach of fiscal responsibility principles

3. Failure to Operationalize the National Strategic Reserves (NSR) and National Trading Division (NTD)

Three years after the gazettelement of the National Cereal and Produce Board (National Strategic Reserves) Regulations, 2023, the Board has failed to operationalize National Strategic Reserves (NSR) and National Trading Division (NTD) through funding. failure to provide funding has directly undermined Key Result Area (KRA) 2; Management of National Strategic Reserves.

In the circumstances, Management was in breach of the Regulations

4. Engagement of Tenants with Expired Lease Agreements

The statement of profit or loss and other comprehensive income and Note 10 to the financial statement reflects other income of Kshs.705,460,087. Included in this amount rental charges of Kshs.466,523,042. Review of tenancy records and lease agreements revealed that National Cereals and Produce Board continued to maintain tenancy arrangements with tenants whose lease agreements had expired.

In the circumstances, Management exposed itself to disputes over occupancy rights, and inability to enforce tenancy terms

5. Irregular Board Committees Composition and Functionality.

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects administration costs amount of Kshs 3,034,666,051. Included in this amount is directors' remuneration amounting to Kshs 16,058,153. Review of the composition and function of the Board of Directors revealed that three of the four Board sub-committees, the Finance and Procurement Oversight Committee, the Operations, Business Development and Strategic Planning Committee, and the Human Resources and Legal Affairs Committee operated without approved charters while Audit, Risk and Compliance Committee, had a charter which dates back to September 2016. in addition, each of the four committees was composed of four members, exceeding the maximum of three members being one-third of the full Board of nine as prescribed by Circular Ref. No. OP/CAB.9/1A of 11 March 2020 (Section B(4)), which states that the number of members in any committee should not exceed one-third of the full Board to avoid committees functioning as parallel full Boards.

Further, although the Board approved its calendar for the 2024/2025 financial year on 30 July 2024 vide Minute 1814/2024 of the 232nd Full Board meeting, no evidence was provided to confirm that the approved almanac had been submitted to SCAC through the parent Ministry by the mandatory deadline of 30 June of the preceding year.

In the circumstances, Management was in breach of the governance directives contained in Circular Ref. No. OP/CAB.9/1A of 11 March 2020, thereby weakening

oversight, accountability, and the overall governance framework of the National Cereals and Produce Board.

6. Hazardous Asbestos Roofing Materials Still in Use

An audit inspection of National Cereals and Produce Board depots for the financial year 2024/2025 revealed that residential houses at Kericho, Kitale, Nakuru, Kiganjo and Eldoret depots are still roofed with asbestos. This is contrary to Chapter 1 of The National Guidelines on Safe Management and Disposal of Asbestos which classifies Asbestos as highly hazardous material with extremely fine fibres and can remain suspended in air for hours hence possess health risks.

In the circumstances, Management failed to comply with national guidelines on the management and phasing out of asbestos materials

7. Loss of stocks and Assets as a result of vandalism at NCPB Maua Depot

During field verification and stock take activities at NCPB Maua Depot, it was established that violent public demonstrations on 25 June, 2025 resulted to looting and destruction of fertilizer and other commodity stocks, ICT infrastructure, cash, physical infrastructure, and technical/minor assets as listed below;

- i. Looting of 7,354 bags of subsidy fertilizer and 633 bags of commercial fertilizer from the main stores.
- ii. Theft of 70 assorted packages of green grams and rice, 25 dunnages, and 2 tarpaulins.
- iii. Cash losses amounting to Kshs.47,868, which included unbanked funds and unpaid vouchers. Cash referred to was a debit note to the cashier attached to Maua Depot.
- iv. Arson and Vandalism of key buildings including the Administration Block, Sentry Box, and sections of the perimeter fence.
- v. Destruction and loss of ICT equipment, furniture, firefighting tools, and other technical/minor assets critical to operations.

8. Expired Third Party stocks at NCPB Nakuru Depot

During physical verification of stores at the Nakuru Depot, it was established that 694 bags of assorted beans, 60 bags of maize, 1,080 bags of Chinese rice and 29 cartons of cooking oil of expired stocks belonging to the Ministry of Special Programmes remained in storage. These stocks had been earmarked for disposal in order to free up warehouse space and mitigate the risk of pest infestation. However, as at the date of the audit in June, 2025, none of the expired stocks had been destroyed or removed, and they continued to occupy valuable storage space

The continued retention of these expired stocks contravenes proper stock management practices, exposes the Board to unnecessary storage costs and health risks from infestation, and restricts the availability of warehouse capacity for operational needs

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2025

National Cereals and Produce Board

Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Profit/Loss & Other Comprehensive Income for the Year Ended 30th June 2025.

Description	Note	2024-2025 Kshs	2023-2024 Kshs
Revenues			
Revenue	6	37,127,110,000	29,539,426,590
Cost of sales	7	<u>35,552,627,540</u>	<u>28,304,070,921</u>
Gross profit		1,574,482,460	1,235,355,669
Gross Margin Gain as a % of Gross sales		4%	4%
Other income			
Grants from the national government	8	-	-
Finance income	9	151,295,795	324,568,161
Other income	10	705,460,087	762,625,804
Other gains/(losses)	11	804,457	1,141,214
Total revenues		2,432,042,799	2,323,690,848
Operating Expenses			
Administration costs	12	3,034,666,051	3,205,181,057
Selling and distribution costs	13	30,881,253	30,491,303
Finance costs	14	-	20,991,257
Total operating expenses		3,065,547,304	3,256,663,617
Loss before taxation		<u>(633,504,505)</u>	<u>(932,972,769)</u>
Income tax expense/(credit)	16	92,706,780	59,355,968
Net loss after taxation		<u>(726,211,285)</u>	<u>(992,328,737)</u>
Other comprehensive income			
Gains on disposal of land		-	-
Surplus or deficit on revaluation of PPE		-	-
Total comprehensive income for the year		<u>(726,211,285)</u>	<u>(992,328,737)</u>


National Cereals and Produce Board

Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Financial Position as at 30 June 2025

Description	Note	2024-2025 Kshs	2023-2024 Kshs
ASSETS			
Non- Current Assets			
Property, Plant and Equipment	17	15,891,858,000	16,684,136,457
Intangible Assets	18	<u>96,403,820</u>	<u>78,854,344</u>
Total Non – Current Assets		<u>15,988,261,820</u>	<u>16,762,990,801</u>
Current Assets			
Inventories	19	1,107,740,456	4,202,138,801
Trade and Other Receivables	20	14,101,567,092	15,342,279,846
Tax Recoverable	21	9,718,800	57,722,053
Bank and Cash Balances	22	<u>3,726,872,358</u>	<u>4,649,039,248</u>
Total Current Asset		<u>18,945,898,706</u>	<u>24,251,179,948</u>
TOTAL ASSETS		<u>34,934,160,526</u>	<u>41,014,170,749</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Fund	23	6,564,142,172	6,564,142,172
Revaluation Reserve	24	23,822,936,182	23,822,936,182
Retained Earnings	25	(17,466,393,358)	(16,740,182,072)
Capital and Reserves		<u>12,920,684,996</u>	<u>13,646,896,282</u>
Current Liabilities			
Borrowings	27	-	3,797,993,700
Trade and other payables	29	21,048,709,942	22,604,515,179
Tax payable	31	964,765,588	964,765,588
Total Current Liabilities		<u>22,013,475,530</u>	<u>27,367,274,467</u>
TOTAL EQUITY AND LIABILITIES		<u>34,934,160,526</u>	<u>41,014,170,749</u>

The financial statements were approved by the Board on 5/12 2025 and signed on its behalf by:



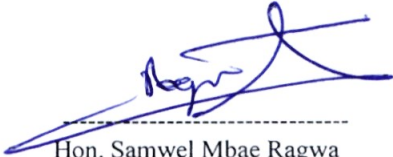
Samuel Karogo Ndung'u

Ag. Managing Director



CPA. John Gichuru ICPAK NO 22638

Ag. General Manager Finance & Accounting



Hon. Samwel Mbae Ragwa

Chairman of the Board

18. Statement of Changes in Equity for the year ended 30 June 2025

	Capital Fund KShs	Revaluation reserve KShs	Revenue reserve KShs	Total KShs
As at July 1, 2023	6,304,142,172	23,822,936,182	(15,747,853,335)	14,379,225,019
Net Profit/(loss) for the year			(992,328,737)	(992,328,737)
Revaluation adjustment				
Capital/ Development Grants/Fund	260,000,000			260,000,000
As of June 30, 2024	6,564,142,172	23,822,936,182	(16,740,182,072)	13,646,896,282
As at July 1, 2024	6,564,142,172	23,822,936,182	(16,740,182,072)	13,646,896,282
Net Profit/(loss) for the year			(726,211,285)	(726,211,285)
Capital/development grants received during the year				-
Transfer of depreciation/amortisation from capital fund to retained earnings				-
Adjustment				-
At June 30, 2025	6,564,142,172	23,822,936,182	(17,466,393,357)	12,920,684,997

19. Statement of Cash Flows for the year ended 30 June 2025

Description	Note	2024-2025 Kshs	2023-2024 Kshs
Cash flow from operating Activities			
Cash generated from/(used in) operations	32	3,063,258,007	2,037,898,845
Interest Received		151,295,795	324,568,161
Interest Paid		-	-
Taxation Paid		(92,706,780)	(59,355,968)
Net cash generated from/(used in) operating activities(a)		<u>3,121,847,022</u>	<u>2,303,111,038</u>
Cash flow from investing Activities			
Purchase of Property, Plant and Equipment	17	(246,992,112)	(296,523,496)
Proceeds from Disposal of Property, Plant and Equipment		971,901	1,799,948
Net cash generated from /(used in) investing activities(b)		<u>(246,020,211)</u>	<u>(294,723,548)</u>
Cash flow from financing Activities			
Proceeds from grant	8	-	260,000,000
Proceeds from Borrowings		-	3,797,993,700
Repayments of Borrowings		(3,797,993,700)	-
Net cash generated from /(used in) financing activities(c)		<u>(3,797,993,700)</u>	<u>4,057,993,700</u>
Increase/(Decrease) Cash and Cash equivalent (a+b+c)		<u>(922,166,889)</u>	<u>6,066,381,190</u>
Cash and Cash equivalent at beginning of the year			
Cash at Bank and on Hand	22	4,649,039,248	3,618,335,914
Bank Overdraft	26	-	(5,035,677,857)
Cash and Cash equivalent at beginning of the year		<u>4,649,039,248</u>	<u>(1,417,341,943)</u>
Cash and Cash equivalent at end of the year		3,726,872,358	4,649,039,248
Cash and Cash equivalent at end of the year			
Cash at Bank and on Hand	22	3,726,872,358	4,649,039,248
Bank Overdraft	26	-	-
Cash and Cash equivalent at end of the year		3,726,872,358	4,649,039,248

20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%	Ref no.
						+ / (-)	
	a	b	c=a+b	d	E=d-c	d/c%	
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Gross sales	47,777,111,818	-	47,777,111,818	37,127,110,000	(10,650,001,818)	-22%	A
Less: Cost of sales	44,684,337,276	-	44,684,337,276	35,552,627,540	(9,131,709,736)	-20%	B
Gross margin	3,092,774,542	-	3,092,774,542	1,574,482,460	(1,518,292,082)		
Add:							
Grants from the national government							
Finance income	144,505,994	-	144,505,994	151,295,795	6,789,801	5%	C
Other Incomes	864,409,147	-	864,409,147	705,460,087	(158,949,061)	-18%	D
Other gains	870,000	-	870,000	804,457	(65,543)	-8%	
Total income	4,102,559,683	-	4,102,559,683	2,432,042,799	(1,670,516,885)		
Expenses							
Administration cost	3,267,399,401	(199,090,894)	3,068,308,507	3,034,666,051	(33,642,456)	1%	E
Selling and distribution	44,449,575	(2,640,000)	41,809,575	30,881,253	(10,928,322)	-26%	F
Finance cost	114,150,747	38,088	114,188,835	-	(114,188,835)	100%	G
Total expenditure	3,425,999,723	(201,692,806)	3,224,306,917	3,065,547,303	(158,759,614)		
Turnover tax	60,000,000	-	60,000,000	92,706,780	32,706,780	55%	
Surplus for the Year	616,559,960	201,692,806	818,252,766	(726,211,285)	(1,544,464,051)		

Explanatory notes on the differences above:

- a) The decrease in gross sales is due to low of sale of fertilizer and pulses
- b) The decrease cost of sales is due to low sales turnover.
- c) Finance income increase is due to increase in the bank account deposits in the fertilizer operating account.
- d) The decrease in other incomes is due to decrease of Drying and Fumigation charges and cleaning income.
- e) The increase in administrative costs is as a result of increase in security expenses and director's cost.
- f) The Selling and distribution costs decrease is due to decrease of advertising, shows and exhibition costs.
- g) There was a decrease in Finance costs due to clearance of bank loan facility.

21. Notes to the Financial Statement

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

- i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ol style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2024-2025.

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- v) **Other income** is recognized as it accrues.

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

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

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

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

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and cash on hand held in the Board's Cash Offices at Head Office and Depot/Silos and Cash in Transit as at 30th June 2025.

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

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

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

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2024/25 was approved by the National Treasury on 28th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the FY 2024/25 budget following the governing body's approval on 11th February 2025.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

x) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) Subsequent events

There was a subsequent event (Vandalism and looting at NCPB Maua depot) but the same has been disclosed in Note 37 to the financial statement and classified as a non adjusting event and hence it has no significant impact on the financial statements for the year ended 30th June 2025.

aa) Stocks of consumable stores and Supplies

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

ab) Agency fees/Commission

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

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Board based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market

changes or circumstances arising beyond the control of the Board. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

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

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Notes to the Financial Statements (Continued)

6. Revenue

Description	2024-2025	2023-2024
	Kshs	Kshs
Sales of Local White Maize	57,700,320	3,393,180
Sales of Rice	174,144,953	166,583,685
Sales of Paddy	-	-
Sales of Wheat	54,580,820	8,761,344
Sales of Gunnies & Tarpaulins	1,467,558	2,302,989
Sales of seeds	133,178,860	72,787,450
Sales of Beans	12,743,980	7,408,145
Sales of Green Grams	92,973,300	27,179,020
Sales of Cow Peas	731,530	475
Sales of Fertiliser	36,599,588,679	29,251,010,302
Total	<u>37,127,110,000</u>	<u>29,539,426,590</u>

There was an increased Fertilizer sale due to governments subsidy programme

7. Cost of Sales

Description	2024-2025	2023-2024
	Kshs	Kshs
Opening stocks	4,092,585,824	851,654,952
Purchase	32,439,448,004	31,536,081,037
Milling Costs		
Provision for stock shrinkage (2.2%)	3,194,085	8,920,756
Closing Stocks	(982,600,373)	(4,092,585,824)
Total	<u>35,552,627,540</u>	<u>28,304,070,921</u>

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

Notes to the Financial Statements (Continued)

8. Grants from National Government

Description	2024-2025 Kshs	2023-2024 Kshs
Reccurent grants received	-	-
Capital grants realized (see note below)	-	260,000,000
In kind contributions/ donations	-	-
Total	-	260,000,000

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	2023-2024 Kshs	2023-2024 Kshs
Ministry/State Department	-	-	-	-	260,000,000
Ministry	-	-	-	-	-
Total	-	-	-	-	260,000,000

9. Finance Income

Description	2024-2025 Kshs	2023-2024 Kshs
Interest from Commercial Banks	151,295,795	324,568,161
Total	151,295,795	324,568,161

Notes to the Financial Statements (Continued)

10. Other Income

Description	2024-2025 Kshs	2023-2024 Kshs
Weigh bridge charges	19,311,416	19,432,645
Bagging and handling charges	20,990,089	38,757,423
Cleaning charges	7,355,342	4,522,556
Rental charges	466,523,042	489,505,109
Warehousing Receipt	11,835,701	13,687,611
Drying and fumigation	23,320,129	45,857,913
	<u>549,335,719</u>	<u>611,763,257</u>
(b) Agency services		
Gok agency remuneration	98,898,896	-
Agency commission from inputs	7,527,599	28,628,600
	<u>106,426,495</u>	<u>28,628,600</u>
(c) Sundry income		
Insurance compensation	625,372	-
Sale of tender documents	7,740	4,000
Sale of obsolete materials	836,921	2,377,778
Other miscellaneous income	48,227,840	40,081,703
Other fee and charges	-	79,770,466
	<u>49,697,873</u>	<u>122,233,947</u>
Total	<u>705,460,087</u>	<u>762,625,804</u>

11. Other Gains and Losses

Description	2024-2025 Kshs	2023-2024 Kshs
Gain on sale of fixed assets	804,457	1,141,214
Total	<u>804,457</u>	<u>1,141,214</u>

Notes to the Financial Statements (Continued)

12. Administration Costs

Description	2024-2025 Kshs	2023-2024 Kshs
Staff costs (note 12b)	1,252,364,000	1,259,459,020
Directors' emoluments (note 12c)	16,058,153	17,981,066
Entertainment	7,704,653	8,897,768
Conservancy, light and water	69,882,490	78,013,707
Consumable stores	2,422,752	10,780,763
Insurance	33,101,470	34,657,339
Land rents & rates and siding charges	30,166,919	34,442,837
Maintenance of machinery, furniture & equipment	69,800,961	83,511,474
Maintenance of building, fences, gates, roads and railway sidings	35,761,223	71,194,036
Postage, telegrams and telephone	31,860,165	22,618,451
Printing and stationery	12,912,028	23,545,505
Security expenses	131,207,938	114,852,400
Subscription & Nafaka Newsletter	301,718	1,605,053
Uniform and protective clothing	2,021,188	2,877,748
Donations	-	579,370
Bank charges	4,550,021	5,710,293
Audit fee	2,043,698	2,043,698
Legal and other professional fees	20,127,344	22,484,948
Provision for bad and doubtful debts	170,066,918	80,208,480
Depreciation	1,005,163,142	1,126,990,845
Amortization	16,390,508	8,075,127
Licences	3,606,069	19,888,219
Travelling and Subsistence	61,532,450	109,164,069
Other Operating Expenses (note 12d)	55,620,243	65,598,842
Total	3,034,666,051	3,205,181,057

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Notes to the Financial Statements (Continued)

12b. Staff Costs

Description	2024-2025 Kshs	2023-2024 Kshs
Salaries and wages	937,993,907	922,509,565
Board's contribution to PF and SSS	75,328,587	80,008,758
Board's contribution to NSSF	23,747,673	13,868,880
Medical expenses	116,109,489	99,644,407
Leave pay and gratuities	40,538,801	38,420,507
Welfare and training	58,645,543	105,006,903
Total	1,252,364,000	1,259,459,020

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

	2024-2025	2023-2024
Permanent employees – management	423	451
Permanent employees – unionisable	158	142
Temporary and contracted employees	161	203
Total	742	796

12c. Director's expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Director's expenses	16,058,153	17,981,066
Total	16,058,153	17,981,066

12d. Other Operating Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Fumigation expenses	15,756,027	10,198,865
Grain dryers operating costs	12,748,567	17,728,773
Commodity handlings costs	4,185,115	3,175,334
Hired transport (Non-commodities)	-	7,030,493
Vehicles running costs	22,930,534	27,465,377
Total	55,620,243	65,598,842

Notes to the Financial Statements (Continued)

13. Selling and Distribution Costs

Description	2024-2025 Kshs	2023-2024 Kshs
Marketing and Promotional expenses (note 13b)	9,344,969	24,051,586
Other Selling and Distribution costs (note 13c)	21,536,284	6,439,717
Total	30,881,253	30,491,303

13b. Marketing and Promotional expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Advertising	2,279,053	4,474,942
Shows and exhibitions	<u>7,065,916</u>	19,576,644
Total	9,344,969	24,051,586

13c. Railway & Road transport costs

Description	2024-2025 Kshs	2023-2024 Kshs
Import Cost	-	-
Railway & Road transport costs	21,536,284	6,439,717
Total	21,536,284	6,439,717

14. Finance Costs

Description	2024-2025 Kshs	2023-2024 Kshs
Bank overdraft interest	-	20,991,257
Total	-	20,991,257

The nil balance in overdraft interest for the year is due to the full clearance of the overdraft and related bank facility, resulting in no finance costs being incurred in the current period

Notes to the Financial Statements (Continued)

15. Operating Profit/ (Loss)

Description	2024-2025 Kshs	2023-2024 Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff Costs (Note 12b)	1,252,364,000	1,259,459,020
Depreciation of property, plant and equipment	1,005,163,142	1,126,990,845
Amortization of intangible assets	16,390,508	8,075,127
Provision for bad and doubtful debts	170,066,918	80,208,480
Directors' emoluments – fees	16,058,153	17,981,066
Other	572,579,632	174,762,911
Auditors' remuneration - current year fees	2,043,698	2,043,698
Net foreign exchange loss	-	-
Interest receivable	(151,295,795)	(324,568,161)
Interest payable	-	20,991,257
Rent receivable	(466,523,042)	(489,505,109)

16. Income Tax Expense/(Credit)

(a) Current taxation

Description	2024-2025 Kshs	2023-2024 Kshs
Current taxation based on the adjusted Profit for the year at 30%	-	-
Current tax: Prior Year Under/(Over) provision	92,706,780	59,355,968
Current year deferred tax charge	-	-
Prior Year Under-provision for deferred tax	-	-
Total	92,706,780	59,355,968

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

	2024-2025	2023-2024
Description	Kshs	Kshs
Profit before taxation	(633,504,505)	(894,521,665)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior Year Under-Provision	(92,706,780)	(59,355,968)
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over Depreciation/Amortization	-	-
Deferred tax Prior Year Over-Provision	-	-
Total	(92,706,780)	(59,355,968)

Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

	Land	Buildings & civil works	Plant and machinery	Motor vehicles, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation								
At July 1, 2024	5,817,989,592	9,749,006,760	4,658,797,963	176,832,631	130,490,399	326,517,495	221,126,912	21,080,761,752
Additions		150,608,124	38,980,506		7,090,046	21,594,351	143,855,639	213,052,128
Transfers	-	-	-	-	-	-	(149,076,538)	-
Disposals	-	-	(737,000)	-	-	(36,390)	-	(773,390)
At June 30, 2025	5,817,989,592	9,899,614,884	4,697,041,469	176,832,631	137,580,445	348,075,456	215,906,013	21,293,040,490
Depreciation								
At July 1, 2024	329,280,123	1,486,856,668	2,321,536,517	139,850,652	65,348,110	53,753,225	-	4,396,625,295
Charge for the year	95,107,699	247,067,748	579,662,258	23,581,537	16,234,467	43,509,432		1,005,163,141
Impairment loss	-	-	-	-	-	-	-	-
Depreciation on disposal	-	-	(589,003)	-	-	(16,943)	-	(605,946)
At June 30, 2025	424,387,822	1,733,924,416	2,900,609,772	163,432,189	81,582,577	97,245,714	-	5,401,182,490
Net book value at June 30, 2025	5,393,601,770	8,165,690,468	1,796,431,697	13,400,442	55,997,868	250,829,742	215,906,013	15,891,858,000

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

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

	Land	Buildings & civil works	Plant and machinery	Motor vehicles, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or valuation								
At July 1, 2023	5,817,989,592	9,622,598,262	4,624,515,753	159,712,062	111,856,564	246,163,968	240,231,495	20,823,067,696
Additions	-	126,408,498	34,687,210	18,362,069	18,787,283	80,353,527	162,734,093	441,332,680
Transfers	-	-	-	-	-	-	(181,838,676)	(181,838,676)
Disposals	-	-	(405,000)	(1,241,500)	(153,448)	-	-	(1,799,948)
At June 30, 2024	5,817,989,592	9,749,006,760	4,658,797,963	176,832,631	130,490,399	326,517,495	221,126,912	21,080,761,752
Depreciation								
At July 1, 2023	232,117,867	1,140,794,302	1,716,945,068	103,741,544	57,860,730	19,785,749	-	3,271,245,260
Charge for the year	97,162,256	346,062,366	604,944,142	37,350,608	7,503,998	33,967,476	-	1,126,990,846
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	(352,693)	(1,241,500)	(16,618)	-	-	(1,610,811)
At June 30, 2024	329,280,123	1,486,856,668	2,321,536,517	139,850,652	65,348,110	53,753,225	-	4,396,625,295
Net book value at June 30, 2024	5,488,709,469	8,262,150,092	2,337,261,446	36,981,979	65,142,289	272,764,270	221,126,912	16,684,136,457

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Notes To The Financial Statements (Continued)

Valuation

PPE was valued by Sec & M Co. Ltd independent valuer on Fair value basis on May 2015, these amounts were adopted on July 2021

Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	5,817,989,592	424,387,822	5,393,601,770
Buildings	9,899,614,884	1,733,924,416	8,165,690,468
Plant and Machinery	4,697,041,469	2,900,609,772	1,796,431,697
Motor Vehicles, Including Motorcycles	176,832,631	163,432,189	13,400,442
Computers and Related Equipment	137,580,445	81,582,577	55,997,868
Office Equipment, Furniture, And Fittings	348,075,456	97,245,714	250,829,742
	21,077,134,477	5,672,005,204	15,675,951,987

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

	Cost Valuation	Normal Annual Depreciation charge
	Kshs	Kshs
Plant and Machinery	420,916,138.42	52,614,517.30
Motor Vehicles, Including Motor Cycles	137,708,766.18	34,427,191.55
Computers and Related Equipment	40,305,844.03	5,038,230.50
Office Equipment, Furniture and Fittings	125,756,811.24	15,719,601.41
Total	724,687,559.87	107,799,540.76

Notes To The Financial Statements (Continued)

National Cereals and Produce Board

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18.Intangible Assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1	129,190,165	91,971,535
Additions	33,939,984	37,218,630
Disposals	-	-
At June 30	163,130,149	129,190,165
Amortisation		
At July 1	50,335,821	42,260,694
Charge For The Year	16,390,508	8,075,127
Disposals	-	-
Impairment Loss	-	-
At June 30	66,726,329	50,335,821
Net Book Value		
At June 30	<u>96,403,820</u>	<u>78,854,344</u>

The intangible asset relates to Software acquired for various modules

National Cereals and Produce Board

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19. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Local White maize	-	278,164
Beans	29,848,945	36,831,185
Assorted Seeds	35,381,280	26,483,980
Paddy	247,993,390	292,352,871
Local milled rice	21,352,526	42,190,478
Green Grams	596,302	84,931,296
Cow peas	85,000	729,130
Fertiliser	-	3,074,417,230
Packaging bags (Jute/pp)	546,241,830	534,371,490
Wheat	101,036,100	-
Njahi	65,000	-
Total	982,600,373	4,092,585,824
Less: Provision for stock shrinkage (2.2 %)	(33,786,629)	(30,592,543)
Net Trading stock	948,813,744	4,061,993,281

19b) Consumables

Stock of consumables	158,926,712	140,145,520
Less: Provision for obsolete consumable stock	-	-
Total	<u>158,926,712</u>	<u>140,145,520</u>
Total closing stock at year end	<u>1,107,740,456</u>	<u>4,202,138,801</u>

19c) Reconciliation of Impairment Allowance for Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	30,592,543	21,671,787
Additional provisions during the year	3,194,086	8,920,756
Written off during the year	-	-
At the end of the year	<u>33,786,629</u>	<u>30,592,543</u>

Notes To The Financial Statements (Continued)

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20. Trade and Other Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
Trade receivable Note 20(b)		
Former Associated Company	160,078	160,078
Debtors for imported Wheat	35,933,464	35,933,464
Receivables	1,232,960,772	1,194,834,464
Staff Debtors	112,932,107	113,347,569
Sundry Debtors and Prepayments	448,171,160	414,146,142
Gross trade receivable	<u>1,830,157,581</u>	<u>1,758,421,716</u>
Provision for Bad and Doubtful Receivable	(1,010,052,893)	(1,004,672,704)
Net Trade Receivables	820,104,688	753,749,013
Other receivables		
Government Debtors – New Agency A/c Note 20 (c)	614,410,047	625,686,834
Government Debtors - MOA Fertilizer A/C Note 20 (d)	11,704,264,331	13,000,055,973
KNTC Fertilizer Ac Note 20 (e)	962,788,026	962,788,026
Total trade and other receivables	<u>14,101,567,092</u>	<u>15,342,279,846</u>

The provision for bad and Doubtful debts comprises the following:

Associated Companies	160,078	160,078
Debtors for imported Wheat	35,933,464	35,933,464
Receivables	798,867,833	796,008,360
Staff debtors	95,048,963	95,080,123
Sundry debtors	80,042,555	77,490,679
Total cumulative provision	<u>1,010,052,893</u>	<u>1,004,672,704</u>

20 (b) Trade Receivables

Gross Trade Receivables	1,830,157,581	1,758,421,716
Provision for Doubtful Receivables	(1,010,052,893)	(1,004,672,704)
Net Trade Receivables	<u>820,104,688</u>	<u>753,749,013</u>

At June 30, the ageing analysis of gross Trade Receivables was as follows:

Less than 30 Days	232,733,319	124,343,404
Between 30 and 60 Days	268,105,208	191,629,657
Between 61 and 90 Days	99,534,138	41,425,450
Between 91 and 120 Days	99,962,427	41,766,573
Over 120 Days	1,129,824,168	1,359,256,631
Total	<u>1,830,157,581</u>	<u>1,758,421,715</u>

Notes To The Financial Statements (Continued)

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

National Cereals and Produce Board

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

	Cumulative amounts Due KShs	Amounts Received Kshs	Net bal. due 30th June. 2025 Kshs	Net bal. due 30th June. 2024 Kshs
(a) Strategic Grain Reserve (old A/c)				
Balance B/F	342,341,936	0	342,341,936	342,341,936
Direct expenses for the Period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>342,341,936</u>	<u>0</u>	<u>342,341,936</u>	<u>342,341,936</u>
(b) Famine Relief Programme				
Balance B/F	(622,984,358)	0	(622,984,358)	(632,819,283)
Direct expenses for the Period		0		
Commision charges		<u>0</u>		<u>939,852</u>
Sub Total	<u>(622,984,358)</u>	<u>0</u>	<u>(622,984,358)</u>	<u>(622,984,358)</u>
© GOK 17selected Depots for Famine Relief				
Balance B/F	191,916,638	0	191,916,638	191,916,638
Direct expenses for the Period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>191,916,638</u>	<u>0</u>	<u>191,916,638</u>	<u>191,916,638</u>
(d) Strategic Grain Reserve (New A/c)				
Balance B/F	2,042,413,106	0	2,042,413,106	2,347,114,195
Direct expenses for the Period	30,705,959	0	30,705,959	-383,657,917
Storage charges	122,703,983	<u>0</u>	122,703,983	78,956,828
Sub Total	<u>2,195,823,048</u>	<u>0</u>	<u>2,195,823,048</u>	<u>2,042,413,106</u>
Total(a+b+c+d)	<u>2,107,097,264</u>	<u>0</u>	<u>2,107,097,264</u>	<u>1,953,687,322</u>
Less sales proceeds from sale of returned gunnies			<u>0</u>	<u>0</u>
			<u>2,107,097,264</u>	<u>1,953,687,322</u>
Provision for bad & doubtful debts			1,492,687,217	1,328,000,488
Net outstanding balance -30th June 2025			<u>614,410,047</u>	<u>625,686,834</u>
(e) Provision for bad and doubtful debts on GOK agency relates to old debts which has been outstanding for long and is to be written off over a period of four years.				
Accumulated provision b/f			<u>1,328,000,488</u>	<u>1,174,819,506</u>
Provision for the period			<u>164,686,729</u>	<u>153,180,982</u>
Total provision as at 30th June 2025			<u>1,492,687,217</u>	<u>1,328,000,488</u>

Notes To The Financial Statements (Continued)

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

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

	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	13,000,055,973	<u>3,476,642,653</u>
Add cost for the year	19,082,895,713	24,361,150,876
	<u>32,082,951,686</u>	<u>27,837,793,529</u>
Less: Amount received during the year	(20,378,687,355)	(14,837,737,556)
Balance due from GOK	<u>11,704,264,331</u>	<u>13,000,055,973</u>

20 (e) KNTC

During the financial 2022-2023 FY the Board handled and sold assorted quantities of fertilizers at subsidized price and the outstanding amount from KNTC as at 30th June 2025 is a KShs **962,788,026** as analysed below:

	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	962,788,026	135,264,890
Add cost for the year	-	5,075,656,636
	<u>962,788,026</u>	<u>5,210,921,526</u>
Less: Amount received during the year	-	(4,248,133,500)
Balance due from KNTC	<u>962,788,026</u>	<u>962,788,026</u>

21. Tax Recoverable

Description	2024-2025	2023-2024
	Kshs	Kshs
At beginning of the year	57,722,053	37,399,491
Income tax charge for the year (Note 16)	-	-
Under/(Over) Provision in prior year (Note 16)	(92,706,780)	(59,355,968)
Income tax paid during the year	44,703,527	79,678,530
At end of the year	<u>9,718,800</u>	<u>57,722,053</u>

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

Notes To The Financial Statements (Continued)

22. Bank and Cash Balances

National Cereals and Produce Board

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The amount of Kshs 3,726,872,358 represents bank balances and cash in hand held in the Board's Cash Offices at Head Office and Cash in transit as at 30th June 2025.

Description	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	3,483,995,801	4,633,742,084
Cash in hand	242,876,557	15,297,164
Cash in transit	-	-
Total	<u>3,726,872,358</u>	<u>4,649,039,248</u>

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

Detailed analysis of the cash and cash equivalents

Description	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current Account			
Several Bank Accounts (KCB, Coop bank, Consolidated bank and National Bank)	APPENDIX VIII	2,421,956,185	2,133,738,564
b) Staff car Loan		-	-
c) On-Call deposits		1,062,039,616	2,500,003,520
d) Others		-	-
Cash in transit		-	-
Cash in Hand		-	-
M-pesa Account		242,876,557	15,297,164
Sub- Total		3,726,872,358	4,649,039,248
e) Bank Overdraft		-	-
Total cash and cash equivalents		3,726,872,358	4,649,039,248

23. Capital Fund

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	6,564,142,172	6,564,142,172

Notes To The Financial Statements (Continued)

National Cereals and Produce Board

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24.Revaluation Reserve

The revaluation reserve relates to the revaluation of items of property, plant, and equipment carried out in the year 2015 and incorporation of the new values of assets resulted to a net revaluation gain of Kshs 14,233,513,389 and together with brought forward balance increased revaluation reserve to Kshs 23,822,936,182

25.Retained earnings

The Board recorded a Net Operating Loss of Kshs. 726,211,285 during the period under review on its commercial activities. The Loss has been transferred to the Revenue Reserves Account leaving a debit balance of Kshs. 17,466,393,357 as shown below;

	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	(16,740,182,072)	(15,747,853,335)
Net loss/profit for the period	(726,211,285)	(992,328,737)
	(17,466,393,357)	(16,740,182,072)

26.Bank overdraft

The Board had a standby overdraft facility of Kshs.615 million with the Kenya Commercial Bank Limited to supplement working capital. The balances as at 30th June 2025 were as follows: -

	2024-2025	2023-2024
	Kshs	Kshs
Main Bank A/c	<u>0</u>	<u>0</u>

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27. Borrowings

Description	2024-2025 Kshs	2023-2024 Kshs
a) External borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
Balance at end of the year	-	-
b) Domestic borrowings		
Balance at beginning of the year	3,797,993,700	-
Domestic borrowings during the year	-	4,350,000,000
Repayments during the year	(3,797,993,700)	(552,006,300)
Balance at end of the year	-	3,797,993,700
	-	-
Balance at end of the period- domestic and external borrowings c = a+b	=	<u>3,797,993,700</u>

The analyses of both external and domestic borrowings are as follows:

Description	2024-2025 KShs	2023-2024 KShs
External borrowings		
Dollar denominated loan from 'x organisation'	-	-
Sterling pound denominated loan from 'y organisation'	-	-
Euro denominated loan from Z organisation'	-	-
Domestic borrowings		
Kenya shilling loan from KCB	-	3,797,993,700
Kenya shilling loan from Barclays bank	-	-
Kenya shilling loan from Consolidated bank	-	-
Total balance at end of the year	=	<u>3,797,993,700</u>

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Notes to the Financial Statements (Continued)

Description	2024-2025	2023-2024
	Kshs	Kshs
Short term borrowings (Current Portion)	-	3,797,993,700
Long term borrowings	-	-
Total	=	<u>3,797,993,700</u>

28. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

Description	2024-2025	2023-2024
	Kshs	Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(Losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0

The movement on the deferred tax account is as follows:

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance at beginning of the year	0	0
Credit to revaluation reserve	(0)	(0)
Under Provision in Prior Year	0	0
Income Statement Charge/(Credit)	0	0
Balance at end of the year	0	0

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Notes to the Financial Statements (Continued)

29. Trade and Other Payables		
Description	2024-2025 Kshs	2023-2024 Kshs
Trade payables	13,085,119,551	13,244,850,572
Creditors – owing to farmers	62,774,447	350,992,379
Creditors – staff	3,699,014	2,323,338
Sundry creditors and provisions	105,549,900	2,077,233,118
GOK on fertilizer Sales Note 29b	2,824,564,733	2,824,564,733
GOK on past market intervention Note 29c	174,063,028	174,063,028
GOK Agency Programme (Old A/c) Note 29d	143,195,039	143,195,039
GOK on SGR Maize sales Note 29e	4,649,744,230	3,787,292,972
Total	<u>21,048,709,942</u>	<u>22,604,515,179</u>

The trade payables of Ksh 13,085,119,551 are a result of GOK subsidy programme which the government had not settled through ex-chequer.

29b Creditors - Due to GOK – Fertilizer Sales

Balance B/F	2,824,564,733	2,824,564,733
Sales for the year	=	=
	2,824,564,733	2,824,564,733
Less: Remittances	(-)	(-)
Amount owed to GOK at year end	<u>2,824,564,733</u>	<u>2,824,564,733</u>

29c Government market Intervention A/c

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

	2024-2025 Kshs	2023-2024 Kshs
Balance due to GOK as at year end	<u>174,063,028</u>	<u>174,063,028</u>

29d Government Agency Account- operating Results (Old Account)

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

	2024-2025 Kshs	2023-2024 Kshs
Balance due to GOK as at year end	<u>143,195,039</u>	<u>143,195,039</u>

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Notes to the Financial Statements (Continued)

29e Creditors – Due to GOK on SGR maize sales

	2024-2025	2023-2024
	Kshs	Kshs
Balance B/F	3,787,292,972	3,787,292,972
Sales for the year	862,451,258	-
	4,649,744,230	3,787,292,972
Less: Remittances	-	-
Balance due to Gok at period end	<u>4,649,744,230</u>	<u>3,787,292,972</u>

The balance in this account relates to an outstanding Ksh. 3.7 billion from the historical SFR sale of maize, and an addition sale amounting to Ksh. 862 million from the sale of GOK maize to ASALs and Regional Development and millers.

30.Provisions

	2024-2025	2023-2024
Provision for gratuity pay		
Balance at beginning of the year	36,403,325	23,887,234
Additional provision at end of year	(11,015,773)	13,448,836
Gratuity taken during the year	<u>(403,783)</u>	<u>(932,744)</u>
Balance at end of the year	<u>24,983,769</u>	<u>36,403,325</u>

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

31.Tax payable

NCPB is a taxable organization and Income Tax Returns have been filed with the Commissioner of Income Tax up to the year of income ended 30th June 2025, which reflected a cumulative taxable loss amounting to Kshs. 17,466,393,358. However, Kshs 964,765,588 represents VAT arrears payable to KRA on provision of agencies services to GOK.

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32. Notes to The Statement of Cashflows

Description	2024-2025 Kshs	2023-2024 Kshs
(a) Reconciliation of Operating Profit(Loss) to Cash Generated fro/Used in Operations		
Profit or Loss before tax	(784,800,300)	(1,257,540,930)
Depreciation	1,005,163,142	1,126,990,846
Amortisation	16,390,508	8,075,127
Provision for Stock Shrinkage	3,194,087	8,920,757
Provision for bad and doubtful debts	170,066,918	80,208,480
Disposal of Fixed asset	(804,457)	(1,799,948)
Operating profit/(loss) before working capital changes	409,209,898	(35,145,668)
(Increase)/decrease in Trade debtors and other receivables	1,118,649,088	(9,093,591,228)
(Increase)/decrease in inventories	3,091,204,258	(3,260,046,070)
Increase/(decrease) in trade and other payables	(1,555,805,237)	14,426,681,811
Cash generated from/ (used in) operations	3,063,258,007	2,037,898,845
(b) Analysis of Changes in Loans		
Balance at the beginning of the year	3,797,993,700	-
Receipts during During the Year	-	4,350,000,000
Repayments During the Year	(3,797,993,700)	(552,006,300)
Balance at end of the Year	-	3,797,993,700

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Notes to the Financial Statements (Continued)

(b) Analysis of cash and cash equivalents

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	3,483,995,801	4,633,742,084
Cash in hand	242,876,557	15,297,164
Cash in Transit	-	-
Bank Overdraft	-	-
Cash and cash equivalent at year end	<u>3,726,872,358</u>	<u>4,649,039,248</u>

33.Related Party Disclosures

Transactions with related parties:

(a)Sales to related parties:

	2024-2025	2023-2024
	Kshs	Kshs
Sales to government Parastatals	0	0
Sales to county Governments	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

(b)Expenses incurred on behalf of related party:

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

	2024-2025	2023-2024
	Kshs	Kshs
Directors Expenses	16,058,153	17,981,066
Compensation to Key Management staff		
Total	<u>16,058,153</u>	<u>17,981,066</u>

34.Contingent Liabilities

	2024-2025	2023-2024
	Kshs	Kshs
Contingent Liability		
Bank guarantees	17,294,000	16,414,000
Legal claims against the Board	452,311,720	422,261,719

Total

469,605,720

438,675,719

Notes to the Financial Statements (Continued)

The Board had total contingent liabilities of Kshs. 469,605,720 as at 30 June 2025. This balance includes legal claims amounting to Kshs. 452,311,720, arising from pending disputes with suppliers of goods and services and other individuals who have instituted court cases against the Board. The amounts and timing of any potential outflows cannot be reliably estimated until the matters are concluded. The total also includes bank guarantees of Kshs. 17,294,000 outstanding at the end of the financial year, for which the likelihood and timing of any outflow remain uncertain. No reimbursement is expected in respect of these contingent liabilities, and no arrangements meet the recognition criteria as at the reporting date.

35. Financial Risk Management

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

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

i. Credit risk

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

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

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

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

ii. Liquidity risk management

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

iii. Market risk

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

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

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

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

a) Foreign currency risk

The Board has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The effect of such transactions are minimal because they are few, however the result is dealt with in the income statement either as a loss or a gain.

b) Interest rate risk

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

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

iv. Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	23,822,936,182	23,822,936,182
Retained earnings	(17,466,393,357)	(16,740,182,072)
Capital reserve	6,564,142,172	6,564,142,172
Total funds	12,920,684,997	13,646,896,282
Total debt	22,013,475,530	27,367,274,467
Less: cash and bank balances	(3,726,872,358)	(4,649,039,248)
Net debt/ (excess cash and cash equivalents)	18,286,603,172	22,718,235,219

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Gearing	142%	166%
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The entity is a going concern since most of the debts belong to GOK as we are implementing the fertilizer subsidy programme on behalf of the Ministry of Agriculture Livestock and Development (MOALD).

36.Incorporation

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

37.Events After the Reporting Period

On 25th June 2025, the NCPB Maua Depot was vandalized and looted by demonstrators who forcibly accessed the Depot, stole GoK subsidized fertilizer, NCPB commercial products, office equipment, and set the office building ablaze.

A post-incident assessment established that 7,354 bags of GoK subsidized fertilizer valued at Kshs 29,575,705 and NCPB Commercial stocks (commercial fertilizers, rice, green grams, salts, dunnages & new tapaulins) valued at Kshs 992,970 were looted. Additional losses relating to office equipment and building damage were also incurred and are undergoing further evaluation.

Because the extent of loss and the confirmation of the incident were officially determined after 30th June 2025, Management has classified this as a non-adjusting subsequent event in accordance with IPSAS. The matter does not affect the amounts recognized in the financial statements for the year ended 30th June 2025.

38.Currency

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

22. Appendices

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

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

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

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

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Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Current Position</p> <p>The court is the only authority which can finally address the amount payable if any or the amount due to the Board if the award is set aside.</p> <p>We wish to clarify that the Kshs. 314 million was collected through garnishee process where the Board's bankers were compelled to freeze the NCPB's bank accounts and transmit the funds to Erad as directed by the court.</p> <p>The matter came up for hearing on 1st March 2017 for the hearing of the additional evidence by EACC. However two Judges requested to recuse due to relationship with the Respondent and the other having previously acted for the Respondent. The court directed that a new hearing be fixed on priority basis before the bench which allowed the additional evidence to be introduced.</p> <p>It is therefore prudent that all cost be accumulated under GoK agency account until such a time the final verdict is issued.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>Current Liabilities</p> <p>i) Taxation</p> <p>As previously reported in the previous year, Included also in the current liabilities balance of Kshs.10,826,182,855 as at 30th June 2016 is an amount of Kshs.964,765,588 in respect of Value added tax arrears payable to Kenya Revenue Authority on provision of agencies services to the government. This figure includes Kshs. 410,092,367 tax that has remained outstanding since 2002. This amount continues to attract penalties and interest that have not been assessed and incorporated in the financial statements.</p>	<p>During their routine tax audits, Kenya Revenue Authority (KRA) indicated that GoK agency services rendered by NCPB are subject to Value Added Tax (VAT) and the SGR Trustees were advised to either seek exemption from Treasury or budgetary provision to pay the tax amount</p> <p>Several attempts were made to seek exemption from Treasury and eventually the National Treasury through letter ref. DFN 415/411/01 dated 7th February 2013 clarified that agency services are subject to VAT and therefore NCPB should comply with the law. The parent ministry was advised to seek budgetary provision to cover the VAT arrears.</p> <p>NCPB complied immediately by incorporating VAT on all invoices for agency services with effect from 1st January 2013. However VAT assessment for period 2001 to 2012 which was not charged remained unresolved which stood at Kshs(1.8 billion(made up of principal and penalties and interest) Subsequently KRA issued an agency notice dated 24th April 2013 to all NCPB bankers to recover the tax arrears component for the period 2010 to 2012 amounting to Kshs. 464,430,643.61. The agency notice was enforced and Kshs.</p>	MD	Not resolved	Work in Progress

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>54,338,277.00 taken from NCPB bank accounts leaving a balance of Kshs.410,092,367. The PS – MOALF intervened to have the bank account unfrozen and further appealed to Treasury to provide funds to cover the tax arrears. The matter was referred to the Strategic Food Reserve Oversight Board who accepted to take the responsibility for the VAT arrears on agency services.</p> <p>The PS-MOALF wrote to KRA on 22nd March 2016 proposing a repayment plan for the principal VAT arrears as approved by SFR Board of KShs. 964.77 million in 3 instalments. However vide their letter dated 6th April 2016, KRA wrote indicating that the payment plan had been rejected indicating that the full settlement should be within a period of twelve months and threatened to effect recovery action.</p> <p>Current Status</p> <p>Following several appeals by NCPB for the matter to be resolved on one hand and efforts by KRA to enforce collection measures on the other hand that resulted into a Notice of distress detaining goods and chattels, the National Assembly</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Departmental Committee on Agriculture Livestock and Cooperatives took up the matter with a view of finding an amicable solution.</p> <p>The Committee in its sitting on 14th June 2016 directed the CS MOALF and CS National Treasury to meet and find a solution to the matter.</p> <p>They reported back to the Committee on 30th June 2016 where it was agreed that the best option was abandonment of the tax due to difficulty in paying as the budget provision for SFR have reduced substantially.</p> <p>As guided by Commissioner General (KRA), NCPB made a formal request for abandonment vide letter Ref: NCPB/CONF/1/2 dated 5th July 2016 to KRA and the outcome is being awaited. A follow up was made by the PS MOALF vide letter Ref.MOA/LCD/9/4/2/VOL.1V letter dated 6th October 2016.</p> <p>Following the above development where the SGR Board owned up the tax responsibility and the subsequent resolution by the National Assembly Departmental Committees on Agriculture and Co-operatives for abandonment, the entire tax</p>			

Ref. No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		amount will be reversed from NCPB books of account once the approval is granted.	John Gichuru Ag.General Manager Finance and Accounting	Not Resolved	Work in Progress
3.1	Debtors and Prepayments The Debtors and prepayments balance of Kshs. 545,036,971 as disclosed under Note 6 to the Financial statement includes trade debtor balances totaling Kshs. 753,589,267 representing 72% of trade debtors that have been outstanding for	We wish to clarify that the amount of Kshs. 987,193,951.00 indicated as older than four years was for 30 th June 2015. As at 30 th June 2016 the balance outstanding had reduced to KShs. 753,589,267.00 as summarized below:-	John Gichuru Ag.General Manager Finance and Accounting	Not resolved	Work in Progress

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments				Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>more than four (4) years. Although a cumulative bad debts provision of Kshs. 943,557,914 has been provided for in the financial statements, it has not been possible to confirm whether and if so, when the Board will be able to recover the amounts. No action appear to have been taken to ensure recovery of the debts.</p>	CATEGORY	AMOUNT (KSHS) 30/06/2015	AMOUNT (KSHS) 30/06/2016	MANAGEMENT ACTION			
Debts recommended for write off		628,084,650	628,084,650	Board's approval for write off				
Debts Under Litigation		56,934,695	56,934,695	Cases in Court				
Collectable Debts		302,174,606	68,569,922	The balance is being pursued				
Total		987,193,951	753,589,267					
		<p>The management will be presenting recommendations for write off to the Board Members for approval once the write-off policy is approved.</p>						

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		<p>That notwithstanding, NCPB has vigorously been pursuing payments of debts including taking legal action against defaulters and currently cases involving Kshs.56.9 million are under litigation. Goods and properties for other defaulters especially for rental arrears have been confiscated and will be sold to defray outstanding rental arrears.</p> <p>However as a prudent measure, NCPB has provided Kshs.943 million as provision for doubtful debts.</p>																		
3.2	<p>Government Debtors Agency</p> <p>As previously reported, Government Agency Account balance of Kshs. 2,961,873,689 as at 30th June 2016 still includes brought forward figures of Kshs. 342,341,936 and Kshs. 191,916,638 relating to Strategic Grain Reserve programme – old account and GOK 17 selected depots for old account Famine Relief respectively, both of which have</p>	<p>The outstanding debts are old debts amounting to Kshs.534.26 million as shown below:-</p> <table border="1"> <thead> <tr> <th></th> <th>Old Debts</th> <th>Kshs</th> </tr> </thead> <tbody> <tr> <td></td> <td>Cost of Reserved Capacity & Wheat Market Intervention</td> <td></td> </tr> <tr> <td>i)</td> <td>Account on SGR</td> <td>342,341,936</td> </tr> <tr> <td>ii)</td> <td>17 G.O.K Depots reserved for Famine Relief Programme</td> <td>191,916,638</td> </tr> <tr> <td></td> <td>Total</td> <td>534,258,574</td> </tr> </tbody> </table> <p>A Committee was constituted comprising officer from</p>		Old Debts	Kshs		Cost of Reserved Capacity & Wheat Market Intervention		i)	Account on SGR	342,341,936	ii)	17 G.O.K Depots reserved for Famine Relief Programme	191,916,638		Total	534,258,574	<p>John Gichuru Ag.General Manager Finance and Accounting</p>	<p>Not Resolved</p>	<p>Work in Progress</p>
	Old Debts	Kshs																		
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>remained unpaid for over 17 years. It has not been possible to confirm whether and if so, the Board will be able to recover the amounts. No provision for bad debts has been made in this regard.</p>	<p>MOALF, MOD&P, Treasury and NCPB who went through all NCPB claim. However the final report was not issued to allow implementation of the recommendations.</p> <p>The matter will be finalized once a committee to relook at the claims is reconstituted.</p> <p>However as a prudent measure the management has provided Kshs 280 million as provision for doubtful debts.</p>			
4.1	<p>Storage Facilities</p> <p>As previously reported, and as disclosed under Note 5 to the financial statements property, plant and equipment balance of Kshs. 7,054,477,805 602) as at 30th June 2016 still includes fifty five (55) donor funded storage facilities whose ownership has not been clarified. Although in its sitting on 11th August 1998, the Public Investment Committee directed both the parent Ministry and Treasury to look into</p>	<p>4.1 Storage Facilities</p> <p>It is true that included in the Fixed Asset Register of the Board are fifty five (55) donor funded storage facilities which have not been formally transferred to the Board.</p> <p>As stated in our previous responses, the issue of transfer of fifty (55) donor storage facilities was to be addressed as part of asset divestiture programme. However, the asset divestiture and review of legal framework are the two pending commercialization reform actions, which were left outstanding in previous restructuring programme.</p> <p>The Board has been following this matter with the Government with a reminder done vide letters Ref: NCPB/CONF/1/9 dated</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the matter with a view to formerly transferring the facilities to the Board, no progress appears to have been recorded as at the date of this report.</p>	<p>21st February 2017 and 29th November 2016. The National Treasury had in their letter Ref: ZZ 40/64/011 dated 20th December 2013 sought to know whether vesting orders had been issued by the Government being the legal instrument for transfer of assets to the Board.</p> <p>The National Treasury further noted that the Board was undergoing restructuring and the preliminary proposal indicated that it may be split into three entities meaning that the Board will not exist in its current form.</p> <p>It therefore recommended that the transfer of the storage facilities be held in abeyance until such time that it is clear to which entity the facilities will be transferred to.</p> <p>Current Status</p> <p>NCPB has since followed up with the MOALF seeking update on the current status of issuance of vesting orders for the 55 donor funded projects. This has been done vide letter ref: NCPB/CONF/1/9 dated 29th November 2016 and 21st February 2017 respectively. Following a meeting held at the Treasury on 1st March 2017 between National Treasury officers and NCPB</p>			

National Cereals and Produce Board

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																		
		to discuss this matter, additional information and documents were sought and have since been submitted vide letter ref: NCPB/CONF./1/9 dated 1 st March 2017 and 31 st March 2017 respectively (attached as Annex XIII(a) & XIII(b)). We are awaiting for feedback from National Treasury.																					
4.2	<p>Land</p> <p>As previously reported, the property, plant and equipment figure of Kshs. 7,054,477,805 also includes thirty seven (37) parcels of land that have been costed at Kshs.54,383,887 that do have title deeds. Information available, indicates that some of the parcels are leased from Kenya Railways Corporation.</p> <p>The above situation is indicative of significant impairment on some of the properties. Consequently, it is not possible to ascertain the accuracy of property, plant and equipment balance of Kshs. 7,054,477,805 reflected in the</p>	<p>There are thirty one (31) plots whose title documents have not been acquired by the Board. The matrix below is a summary of the current status of title acquisition for the thirty one (31) plots:-</p> <table border="1"> <thead> <tr> <th></th> <th>SUMMARY</th> <th>CURRENT STATUS</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>Under Various County Offices</td> <td>20</td> </tr> <tr> <td>B.</td> <td>Under Lease Extension</td> <td>3</td> </tr> <tr> <td>C.</td> <td>Under Land Registrar</td> <td>3</td> </tr> <tr> <td>D.</td> <td>Under Kenya Railways</td> <td>5</td> </tr> <tr> <td></td> <td>Total Plots</td> <td>31</td> </tr> </tbody> </table> <p>The details are specified below: -</p> <p>a) Under Various County Offices</p> <ul style="list-style-type: none"> Ndanai: Awaiting Ground Status Report, Survey Plan, and Physical Planning Report for issuance of title deed (1 month remaining). Narok/CIS-Mara (Moriyo): Group Ranch leaders to seek member approval for excision of 20 acres; timelines depend on approvals. Kacheliba: Awaiting facilitation for site visit; adjudication 		SUMMARY	CURRENT STATUS	A.	Under Various County Offices	20	B.	Under Lease Extension	3	C.	Under Land Registrar	3	D.	Under Kenya Railways	5		Total Plots	31	Veronica M.S hiundu Ag.Head of Head Legal Services	Not Resolved	Work in Progress
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	financial statements.	<p>process expected to conclude in 3 months.</p> <ul style="list-style-type: none"> • Mulot: Land survey in progress; title deed preparation expected to conclude in 3 months. • Doldol: Adjudication ongoing; title deed process to take 1 month post-agreement. • Muhuru Bay: Physical planning, survey, and title deed preparation expected to conclude in 3 months. • Iten Plot A & B: Encroachment issues being addressed; title deed preparation to take 1 month after vacant possession. • Embu Majengo: Survey data submitted; Certificate of Lease to be finalized in 1 month. • Malava: Title deed preparation in progress; expected completion in 2 months. • Ntimaru: Planning and title deed preparation expected to conclude in 3 months. • Bungoma (Plots 484, 485, 491): Ground Status Report completed; issuance of allotment letters and title deeds expected in 3 months. • Nyeri Blue Valley: Physical planning and survey expected to conclude in 3 months. • Murang'a: Awaiting resolution of court case. • Maua: Ground Status Report and title deed preparation expected 			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>to conclude in 3 months.</p> <ul style="list-style-type: none"> • Embu: Physical planning and survey expected to conclude in 3 months. • Garsen: Pending Part Development Plan approval; title deed preparation to take 3 months. • Mandera: Title deed preparation to conclude in 1 month. <p>b) Under Lease Extension</p> <ul style="list-style-type: none"> • Turbo 6038/82: Lease term renewal; allotment letter issuance and Certificate of Lease preparation expected to conclude in 3 months. • Butere/47 & 48: Re-survey in progress; Certificate of Lease preparation expected by March 2024. <p>c) Under Land Registrar</p> <ul style="list-style-type: none"> • Nakuru Cyprus Bins: Provisional Certificate of Lease expected after 60 days of advertisement and 1 month for processing. • Olkalou: Planning and title deed process to conclude in 4 months. • Kericho LR No. 631/2495: Certificate of Lease preparation expected in 2 months. <p>d) Under Kenya Railways</p> <ul style="list-style-type: none"> • Ainabkoi: Awaiting Offer Letter from Kenya Railways. <p>Nyahururu (Plots 6585/338, 340, 341, 349):</p>			

Ref No.	Issue - Observations from auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>Unaccounted for inventories</p> <p>The statement of Financial position reflects inventories of Ksh.4,202,138,801 as at 30 June 2024. Review of the Board of survey report signed by the relevant officers appointed to conduct board of survey at the end of the financial year revealed that physical stock counted in some stores of the NCPB were than the stock balance in the ledger cards. The officers in the depots could not account for the stock worth Kshs.2,781,633</p> <p>In the circumstances, the accuracy, completeness and validity of inventories totalling Kshs.4, 202,138,801 could not be confirmed.</p>	<p>During the stock exercise conducted between 24-28th June 2024 various variances were noted and have been addressed</p>	<p>John.M.Gichuru Ag.General Manager Finance and Accounting</p>	<p>Resolved</p>	

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>Bank and Cash Balances</p> <p>The statement of financial position as at 30 June 2024 reflect bank and cash balances of Kshs4,649,039,248. Review of the cash books, bank statements and bank reconciliations revealed loss of cash by current and former staff totaling Kshs.4,436,815 dating back to 2019/2020. No proper explanation was provided for the loss of cash by the staff of the corporation.</p> <p>In the circumstances, the accuracy, completeness and validity of cash and cash equivalent could not be confirmed.</p>	<p>The cash loss amounting to Kshs. 4,436,815.16 is explained as follows: -</p> <p>1. Cash loss of Kshs. 3,371,890.16 Debit notes nos11D4129908 (662,102.96) and 11D4129907 (2,709,787.20)</p> <p>a) Debit notes nos11D4129908(662,102.96) and 11D4129907 (2,709,787.20) amounting to Kshs. 3,371,890.16 relates to an overstatement of sales order no. 11D4269540 to a customer M/s Thenducat Enterprises raised by Ms. Muhubo Adan (STL 7470) and approved by Mr. Gedeon Muthuri (STL 6930) leading to issuance of 8,975 bags instead of 897 bags of maize x 50 kgs (code 1050) for which he had paid. (See Annex 5.0(a))</p> <p>b) The staff were served with Debit notes and recoveries have been on going through the payroll from the Month of October 2020 when a ruling by staff advisory was made. The customer M/s Thenducat was pursued by the Debt collectors and has been paying the money owed to NCPB.</p>	John.M.Gichuru General Manager Finance and Accounting	Not resolved	Work in Progress

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Ref. No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>c) The issue was recently reviewed by an Adhoc Committee on the Irregular sale of strategic made which sat on 3rd October 2024 and made recommendations to refund Mr. Gedeon Muthuri and Ms. Muhubo Adan Kshs. 1,116,624 and Kshs. 279,928.30 respectively for M/s Thenducat Account at a ratio of 80:20 based on the degree of perceived contributory that led to the loss being cumulative staff recoveries. (See Annex 5.0(b))</p> <p>d) Per the committee's recommendation payment voucher nos. 54A4213620 (Kshs.1,116,624 and 54A4213569 (279,928) in respect of Mr. Gideon Muthuri and Ms. Muhubo Adan being amount deducted from the officers through payroll. In addition, JV no. 23A4104482 was raised to reverse the said debit notes from the staff personal accounts and cash loss account and recovery stopped. (See Annex 5.0(c))</p> <p>2. Cash loss due to short weight Kshs. 1,064,925.00 vide debit notes 11D4134987 (530,675) and 11D4134983 (543,250).</p> <p>a) Kshs.1,064,925.00 was occasioned short weight in maize at Kitale Depot caused by mishandling of weigh bridge</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.1	<p>Unsatisfactory Matters in Trade Debtors and Prepayments</p> <p>The statement of financial position reflects trade debtors and prepayments totalling Kshs.15,342,279,846 as disclosed in Note 20 of the financial statements after provision for bad and doubtful debts totaling Kshs.1,004,672,704 is made on the gross balance totaling Kshs.17,758,421,716 as at 30 June, 2024. However, the balance contains the following unsatisfactory matters:</p>	<p>by the concerned officers.</p> <p>b) The Responsible officer were found culpable and disciplinary action taken which included dismissal from service. The debts have formed part of the staff debts who have since left service</p> <p>Management has engaged debt collectors who have been pursuing all outstanding debts for two years or more. This indicates an effort to recover these long-standing debts, but documentation of these efforts has been maintained and provided for audit purposes</p>	John.M.Gichuru General Manager Finance and Accounting	Not resolved	Work in Progress

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	<p>(i) The balance includes trade debtors totaling Kshs.1,758,421,721. However, included in the balance are debtors totaling Kshs.750,033,616 representing 43% of trade debtors that have been outstanding for more than twelve (12) years. Although a cumulative bad debts provision amounting to Kshs.1,004,672,704 has been made in these financial statements, the extent of possible recovery of the debts could not be confirmed as there were no records of effort to recover them.</p>				

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3.2	<p>(ii)</p> <p>Unsupported Medical Advances</p> <p>Included in the receivables balance is Kshs.5,668,522 in respect of medical advances given to the employees. However, the balance was not sufficiently supported by relevant documentations such as staff requisitions, Board resolutions on settling of medical bills for individual staffs and policies on how debts would be written off in case of death of the staff involved. Contrary to Section 10.2 of National Cereals and Produce Board Human Resources Policies and Procedures Manual, 2019 on Employee Services which states conditions that must be met for medical advances. A review of documents provided revealed that medical advances were not sufficiently supported by respective requisitions. Therefore, the</p>	<p>Employees who exhaust their medical entitlements are required to pay for the excess charges. However, Management has been intervening on humanitarian grounds where employees are not in a position to raise the amount especially in inpatient cases but employees must commit themselves first on how to pay the debts immediately. Management will follow up on the cases to ensure that the affected employees settle the debts outside payroll</p> <p>In case of death, the debt is usually recovered from the Group Life Assurance Cover.</p>	James Theuri Ag.Human Resource Manager	Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Facal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.3	<p>genesis and recoverability of medical advances amounting to Kshs.5,668,522 which have been long outstanding for more than seven (7) years could not be confirmed. Incomplete records because the source documents were not kept. The debts are historical and most staff exited either through death or retirement before settling the medical advances. Recoverability of the medical advances is in doubt and hence there is possibility of NCPB loosing public funds.</p> <p>Non-compliance with Debt and Credit Policy</p> <p>The aging analysis of debtors provided during audit revealed that there have been outstanding debts of over seven (7) years casting doubt on the accuracy and recoverability of the debtors' balances. Further, it was noted that the Board has</p>	<p>The aging analysis of debtors provided during audit revealed that there have been outstanding debts of over seven (7) years casting doubt on the accuracy and recoverability of the debtors' balances. Further, it was noted that the Board has not written off the irrecoverable debts and is therefore not complying with their debt policy on write-offs. Minutes from the credit committee were also not provided for audit, this casts doubt on</p>	John.M.Gichur	Not	Work in Progress

National Cereals and Produce Board

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>not written off the irrecoverable debts and is therefore not complying with their debt policy on write-offs. Minutes from the credit committee were also not provided for audit, this casts doubt on the credit scores of the customers who were advanced credit facilities. Lack of credit committee reports and minutes indicates non-compliance with Board's Credit Policy,2020. Therefore, it could not be confirmed whether credit limits, credit scoring, credit assessments and credit requests from customers were properly authorized and approved contrary to Section 3.8 of Debt Management Policy,2020 (National Cereals and Produce Board) on write offs states conditions that should be met before write offs.</p> <p>In the circumstances, the accuracy,</p>	<p>the credit scores of the customers who were advanced credit facilities. Lack of credit committee reports and minutes indicates non-compliance with Board's Credit Policy,2020. Therefore, it could not be confirmed whether credit limits, credit scoring, credit assessments and credit requests from customers were properly authorized and approved contrary to Section 3.8 of Debt Management Policy,2020 (National Cereals and Produce Board) on write offs states conditions that should be met before write offs.</p> <p>In the circumstances, the accuracy, completeness and validity of the trade and prepayments balance totaling Kshs.15,342,279,846 as at 30 June, 2024 could not be confirmed.</p> <p>Management Response</p> <p>The Debtors balances aged over 6 years are statutory barred and cannot be legally pursued and the same were presented to the Board Of Directors in April 2021 and 2022 for consideration but the request was deferred.</p> <p>In the 2023/2024 Financial year, the Credit committee had no major credit request thus the reason for non- existence of</p>	<p>u Ag.General Manager Finance and Accounting</p>	<p>resolved</p>	

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4.1	<p>completeness and validity of the trade and prepayments balance totaling Kshs.15,342,279,846 as at 30 June, 2024 could not be confirmed</p> <p>Lack of Ownership Documents of Land The statement of financial position reflects property, plant and equipment balance of Kshs.16,683,689,096 as disclosed in Note 17 of the financial statements. Included in the balance is freehold land valued at Kshs.5,488,709,469. As previously reported, the leasehold land includes thirty-four (34) parcels that do not have title deeds. In addition, the leases for three (3) plots had not been renewed thus making a total of thirty-seven (37) properties valued at Kshs.581,364,000 whose title documents were not in the custody of the Board. In addition, the</p>	<p>minutes to that effect. Most of the debtors balances safe for the fertilizers were for the years before 2023/2024 FY</p> <p>Management Response on Nakuru Cyprus Bins – Block 8/13 The Management established through its contracted survey firm, that the grant for this land parcel is registered as per the records held in the Nakuru Land Registry. The Management contacted the office of the Director, Land Administration informing is office about the Board’s registered lease for Blk. 8/13 and requesting for the facilitation for the acquisition of a Duplicate Certificate of Lease. The Director, Land Administration advised the Board to seek the requested services from the office of the Chief Land Registrar to acquire a Provisional Certificate of Lease., which the Management did by requesting the office of the Chief Land Registrar to facilitate the process for the issuance of a Provisional Certificate of Lease. The Chief Land Registrar advised the Board that the exercise</p>	Veronica M.S hiundu Ag.Head of Legal Services	Not resolved	Work in Progress

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	<p>following matters were observed:</p> <p>i. The document of title for the land on which the Nakuru Cyprus Bins are located, was not provided for audit. Although Management explained that the surveyors had established that the title had been issued at the Land's Registry, the same was not in the custody of the Board.</p> <p>ii. Further, although the Board has title deeds for five (5) parcels of land in Kisii County, which have been fenced and marked with the NCPB signpost, there was encroachment on all the parcels of land.</p> <p>iii. In Kericho, there was encroachment on one of the parcels of land and a temporary structure</p>	<p>involves filing the request at the Nakuru Land Registry by submitting various documents including, Form 1, for loss of title deed, Certificate of Official Search, a copy of the lease document, PIN Certificate, Affidavit, and the Registration Certificate.</p> <p>Upon acceptance of the above documents, the Land Registrar will provide the Board with a format for advertisement in the Kenya Gazette, being Notice of Intention to Issue a Provisional Certificate of Lease, and upon the expiry of the required sixty days' notice, the Registrar will issue the Provisional Certificate of Lease for the land parcel Block. 8/13 in favor of NCPB.</p> <p>Proposed Timelines – The above exercise is expected to take three (3) months; April 2025</p> <p>Management Response on Encroachment of NCPB land parcels in Kisii County</p> <p>The Board engaged the Kisii County Surveyor to carry out the Beacons Re-establishment for NCPB land parcels in Kisii Block III/48, 149, 150 & 263 and Block II/96</p> <p>The County Surveyor carried out the survey and submitted report ref. KSI/TC/10/VOL.III/100 dated 8th June 2021 with</p>			

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	<p>constructed by a School. Another parcel along Kericho-Kisumu highway has also been encroached by the Kenya National Highways Authority (KENHA) as well as one of the neighbors whose perimeter wall illegally extended into the Board's compound.</p> <p>iv. The Board's land in Sagana Town was fenced but there was encroachment on one section of the land whereby commercial and residential houses have been constructed. However, there was no sign post to show that the land belongs to the Board.</p> <p>v. In addition, it was observed that there is a restraining order on a parcel of land in Narok that was issued by the High Court in 2013. Although the Board was</p>	<p>preliminary findings indicating that there are cases where the Board's fence has been encroached into, while in other cases, the Board's fence has encroached into its neighbor's land parcels.</p> <p>The Encroachment (extent)</p> <p>Kisii Municipality/Block III/48</p> <p>a) On the ground, the boundary of parcel Block III/48 encroaches into parcel Block III/224 by an area of 0.002Ha.</p> <p>b) The boundary of Block III/48 is encroach into by parcel Block III/268 by an area of 0.009Ha.</p> <p>c) The existing fence of Block III/48 encroaches into the road reserve by an area of 0.007Ha</p> <p>d) The ground boundary of parcel Block III/48 is encroached into by the road reserve by an area of 0.002Ha.</p> <p>Kisii Municipality/Block III/150</p> <p>a) On the ground, the existing ground boundary of fence for Block III/150 encroaches into the road by an area of 0.007Ha and into the neighboring un-surveyed parcels by an area of 0.007Ha.</p> <p>b) The boundary of Block III/410 encroaches into parcel</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>allocated 20 acres of the land, it was not possible to physically identify the portion that belongs to the Board.</p> <p>vi. The Board's parcel of land of area 0.500ha, situated in Kapsabet Town and with a certificate of lease for 99 years starting from 1 July, 1986 has been encroached and developed with a permanent commercial structure by a developer who claims ownership of the land. Although, Management indicated that they are following up the matter with the National Land Commission, evidence of follow up was not provided for audit review.</p>	<p>Kisii Block III/150 by an area of 0.001 Ha. Kisii Municipality/Block III/263</p> <p>a) On the ground, the boundary of parcel Block III/263 is incroached into by parcel Kisii Block III/6 by a belt of 2M amounting to an acreage of 0.01 Ha.</p> <p>b) The ground boundary of parcel Kisii Block III/263 is encroached into by parcel Kisii Block III/7 by width of 2.49M amounting to 0.01Ha.</p> <p>c) The boundary of Kisii Block III/263 is encroached by the road reserve by a margin of 0.021Ha.</p> <p>Kisii Municipality/Block II/96</p> <p>a) On the ground, the boundary parcel Kisii Block II/96 is encroached into by the pedestrian walkway by an area of 0.017Ha.</p> <p>b) The ground boundary for Kisii Block II/96 is partly encroached into by parcels Block II/195 by an area of 0.0081Ha</p> <p>c) The Boundary of Kisii Block II/96 is encroached by parcel Kisii Block II/153 by an area of 0.001 Ha and parcel Block II/236 by an area of 0.005Ha.</p>			

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		<p>Kisii Municipality/Block III/149</p> <p>a) The boundary of Kisii Block III/149 greatly encroaches into boundaries of parcel Block III/579 by an area of 0.019Ha and into parcel Block III/580 by an area of 0.016 Ha, parcel Block III/586 by an area of 0.027Ha and on the road reserve by 0.019Ha.</p> <p>b) The existing fence boundary of Kisii Block III/149 does not follow the alignment as per the survey plan.</p> <p>The County Surveyor's Conclusion</p> <p>There exist encroachments that require to be corrected so as the ground occupancy to be in accordance to the authenticated survey plans and the issued land titles (leases)</p> <p>Following the County Surveyor's findings and recommendations, the Board has engaged the National Land Commission to assist with the replacement of the fence in the rightful places as per the beacons identified by the Surveyor Meeting convened by the National Land Commission</p> <p>Following the Board's request, the Commission convened a meeting between NCPB and the affected parties with a view of resolving the issues of encroachment, by the re-aligning the</p>			

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4.2	<p>Lack of Motor Vehicles Ownership Documents</p> <p>The list of motor vehicles provided for audit revealed that there were fifty-three (53) motor vehicles owned by the Board. However, a motor vehicle registration GK618 with a net book value of Kshs.138,000 as at 30 June, 2024 did not have a logbook and was said to have been donated to the Board from a project some years back.</p> <p>Encroachment on the Board's Property</p> <p>Audit inspections at sampled depots revealed encroachment by private parties on the Board's property. In Bungoma, an</p>	<p>fence to respect the rightful boundaries as per the established beacons.</p> <p>Proposed timelines – Three months – March 2025</p> <p>The vehicle in question is an old tractor with registration no GK618 based in Kitale Depot which was donated to NCPB after project completion many years back we wish to confirm that a process has already been initiated with NTSA in a bid to include the details of the Tractor in the NTSA system to enable us to apply for duplicate logbook of ownership. Find copies of relevant documents for the initiated ownership process</p> <p>Management Response on Encroachment of NCPB Kericho Land Parcels</p>	George Ojode Deputy Manager Office Services	Not resolved	Work in Progress

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4.3	<p>encroacher had fenced plot number 485 where the Bungoma silos are located and leased it to a garage operator. In Kisii County there were structures irregularly built by third parties at Block 3/48 measuring 0.0167 ha and Block 3/150 measuring 0.0302 ha. No records were provided to indicate the effort made by Management to recover these lands.</p> <p>In Nakuru County, the Board did not have ownership documents for land LR/No.3490/16 measuring 0.0878 hectares and it was not possible to physically identify the said land for audit verification.</p> <p>In Kericho County, there were permanent residential houses built and occupied by third parties who claimed to own the</p>	<p>The Management Commissioned the Kericho County Surveyor to carry out beacon identification for all NCPB land parcels in Kericho County.</p> <p>The County Surveyor submitted his report whose findings are as summarized below:-</p> <p>NO. LOCATION LAND REFERENCE ENCROACHMENT ISSUE</p> <p>1. Kericho 631/405 A structure has been developed within the land boundary labeled Trav 44 to Trav 47 as per RIM No. 107/61</p> <p>2 Kericho 631/420 - The Surveyor was unable to place beacon no. P4 because the neighbor has encroached about 1.4 meters and they've built a house.</p> <p>- There is a claim that the Board's land parcel has been reduced by the road as per RIM No. 124/97</p> <p>9. Kericho 631/416 - Beacons No. MB1, MB2 and MB3 are within the Kericho-Kisumu Road Reserve</p> <p>- KeNHA has encroached by 3 meters into beacons no. MB1 and MB2 and by 0.5 meters into beacon MB3.</p> <p>- Beacon MB1 has been encroached by 7 meters by a</p>	<p>Veronica M.S hiundu Ag.Head of Legal Services</p>	<p>Not resolved</p>	<p>Work in Progress</p>

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	<p>properties and allotment letters for three of the Board's properties Block.5/65 or L.R NO.631/488, Block.5/66 or L.R No.631/505 and Block.5/67 or L.R No.631/504 measuring 0.03 ha (hectares) , 0.0389 hectares and 0.0335 hectares , respectively. The circumstances under which the land ceased to belong to the Board were not explained. In addition, the properties Block.5/138, Block.2/49 and Block.5/165 measuring 0.0654 hectares, 0.7284 hectares and 0.0654 hectares had their beacons move inwards from one side and lost tens of meters of land.</p> <p>In Kakamega County Depot the tenant leasing the land had built permanent structures and also repainted the NCPB office. There were no records indicating</p>	<p>developer for land parcel LR No. 156</p> <ul style="list-style-type: none"> - Beacon MB7 has been encroached by 3.2 meters by land parcel LR No. 157. - Beacon MB5 and MB6 has been encroached by 2.7 meters by land parcel LR. No. 159 and has built a permanent building and perimeter wall as per F/R No. 116/2 <p>The National Land Commission convened a site visit with the Board's representative together with the County Surveyor for familiarization tour of the property.</p> <p>The National Land Commission and the Deputy County Commissioner have scheduled a meeting with the neighbors who have encroached on the land to undertake correction measures.</p> <p>Meeting convened by the National Land Commission – Following the Board's request, the Commission convened a meeting between NCPB and the affected parties and the meeting resolved that for the minor issues of encroachment, the Board shall re-align its fence to respect the rightful beacons, while for the major encroachment, the Board and Kenha shall hold a separate exercise to resolve the need for re-alignment of</p>			

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	<p>that the developments on the property - Bocklk.1/640 - were approved by the Board of Directors.</p> <p>An audit inspection of assets in National Cereals and Produce Board depots for the financial year 2023/2024 revealed that Nyahuhuru, Meru, Kiganjo Embu, and Sagana depots have fences that are in deplorable condition which is characterized by either being too low where one can easily jump over as observed in Nyahuhuru depot or unstable (slanting on one side) and in Sagana depot a section of the fence iron sheets had been removed.</p> <p>An audit inspection of Nyeri and Embu parcel of land belonging to the National Cereals and Produced Board had no title deeds</p>	<p>the Kericho Kisumu Highway Road-Reserve Beacons, as well as deliberate on the proposal by the owner of pots 156, 157 and 159 to give alternative land as compensation against encroachment on their part.</p> <p>Pending works and proposed timelines:</p> <ul style="list-style-type: none"> i) Meeting between NLC, County Surveyor, NCPB, and Kenha – January 2025 ii) Meeting with owners of plot 156, 157 and 159 – Same day as above. iii) Implementation of resolutions from the above meeting – January and February 2025 <p>Management Response on NCPB Sagana Land Parcel Kiine/Sagana/388/125</p> <ul style="list-style-type: none"> i) The Board had fenced part of its land parcel title no. Kiine/Sagana/388/125, leaving the undeveloped portion unfenced hence causing it to be encroached upon by squatters. ii) The Management noted that the parcel was encroached and requested the Kirinyaga District Surveyor to carry out beacon Identification of our entire land parcel. 			

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		<p>iii) The County Surveyor finalized the beacon identification and upon completion, the Board fenced off its interests as per the identified common boundaries.</p> <p>iv) However, it was noted that some of the encroachers built permanent structures on the northern side of the land parcel after placement of the beacons at the rightful place.</p> <p>v) The Board issued Eviction Notices to all the encroachers, and further wrote to the Deputy County Commissioner, Kirinyaga East informing him on the encroachment, and requesting his office to facilitate the in enforcement of eviction of the trespassers.</p> <p>vi) The National Land Commission was informed about the encroachment and requested to assist with the eviction of the illegal occupiers. The Commission and the County Commissioner have confirmed they will invite the trespassers and the Board's representatives to facilitate the eviction</p>			

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		<p>process.</p> <p>Litigation</p> <ul style="list-style-type: none"> Two of the trespassers have since sued the Board regarding the ownership status of the land parcels occupied by themselves and the Management has assigned the court case to its external law firms. The Board is therefore obligated to await the completion of the court process to inform the way forward. <p>Proposed timelines – dependent on the court</p> <p>Management Response on NCPB Narok land parcel Narok/ CIS-Mara ilmasharian (Morijo)</p> <p>The Management engaged the group ranch members and established that the twenty (20) acres is still intact and forms part of the undivided land parcel for the Cis-Mara Ilmasharian Morijo Group Ranch.</p> <p>The Board acquired a copy of the Green Card from the Narok County Land Registry and established that there is a caveat</p>			

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		<p>placed by some of the members of the ranch restricting any transactions on the entire Group Ranch Land Parcel.</p> <p>The suit was in relation to the attempts by the defunct Narok County Council to allocate to private individuals part of the group ranch land.</p> <p>The Board's representatives met the Group Ranch leaders, who agreed to convene a meeting with Group Ranch members to seek concurrence with the excision of 20 acres for NCPB out of the Group Ranch.</p> <p>The Management has scheduled a meeting with the Group Ranch leaders in the month of February 2025 to engage further and receive the update on the resolutions/approval for the excision of the twenty (20) acres. Once the group ranch agrees on the excision, this will facilitate the commencement of the registration exercise to acquire the ownership document for this land parcel.</p> <p>Proposed timelines – Three (3) Months</p> <p>Management Response Kapsabet Land Parcel no. 438</p> <ul style="list-style-type: none"> The Management engaged the County Surveyor Nandi County to undertake the survey works to establish the 			

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		<p>common boundaries for NCPB Kapsabet land parcel in order to enable the Board to fence off its interests within the common boundaries.</p> <ul style="list-style-type: none"> • The County Surveyor visited the ground with the Board's regional representatives and submitted the following findings: <ol style="list-style-type: none"> i) There was an incomplete double-storey building constructed on one part of the land parcel. ii) There were no traceable beacons on the ground. iii) The County Surveyor claimed that the land parcel was issued to four individuals who were issued with title deeds as parcels 20-23. • From the findings, the Board visited the Nandi Land Registrar and did a search on the Board's parcel whose resulting Search Certificate clearly indicates the land belongs to the Board. • The management noted the encroachment and engaged a private survey firm for beacons identification and establishment of common boundaries for the Kapsabet land 			

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		<p>parcel.</p> <ul style="list-style-type: none"> • The Management further engaged the National Land Commission Nandi County Coordinator informing the Commission about the encroachment and the conflict between the two offices of the Land Registrar and the County Surveyor. • The Commission was informed that part of the land had been illegally occupied by 4 individuals who have erected permanent structures. • The Management sought the intervention of the Commission to stop the ongoing construction and assist the Board to fence off the property to secure its interests within the common boundaries. • The Commission's Nandi County Coordinator responded by scheduling a site visit meeting and requested the Board to facilitate the same. • The Board's representatives accompanied the Commission's County Coordinator for the site visit. The Coordinator requested the Board to provide further information regarding the registration of the lease document and the Board duly submitted the same to the Commission. 			

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		<ul style="list-style-type: none"> • The Commission’s County Coordinator further requested the Board to visit the Nandi County Land Registry to peruse the Board’s file number F. 116729 and acquire a copy of the Council Minutes and submit the same to the Commission to enable him finalize and submit his findings to the Board. • The management has scheduled a meeting with the County Government of Nandi to obtain the Council Minutes which will be submitted to the County Cordinator for further action. <p>Proposed timelines – Three (3) Months</p> <p>5.3 – Encroachment of Board’s Property Bungoma Depot – Encroachment of parcel 485</p> <p>1. The Board commissioned the County Surveyor to undertake the establishment of common boundaries. From the County Surveyor’s report, (copy attached) the Board was informed of the encroachment by a third party which has affected parcels 484 and 485 whereby the trespasser has unlawfully registered the Board’s parcels as parcels 881 and</p>			

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		<p>882.</p> <p>2. The Board wrote an eviction notice to the trespasser to which the trespasser responded through his lawyer indicating that their client has never encroached and/or trespassed into the Board's land.</p> <p>3. The Board responded to the lawyer, re-iterating the trespass and illegal occupation by Mr. Abdirahman Mohamud Noor and that the Board would take action to implement the County Surveyor's recommendations.</p> <p>4. Further, the Board engaged the Bungoma County Coordinator- National Land Commission, requesting his office to assist the Board to recover the land from the trespassers.</p> <p>5. The Commission proposed to undertake a Ground Status Exercise to ascertain the levels of encroachment, if any. The Ground Status Report will provide recommendations to enable the Commission to guide both parties on the way</p>			

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		<p>forward.</p> <p>Proposed timelines – Three (3) Months for the implementation of the Ground Status Report</p> <p>Structures irregularly built by third parties at Block 3/48 measuring 0.0167 ha and Block 3/150 measuring 0.0302 ha</p> <p>As explained in the response under clause 5.1 above, the Board engaged the Kisii County Surveyor to carry out the Beacons Re-establishment for NCPB land parcels in Kisii Block III/48, 149, 150 & 263 and Block II/96</p> <p>The County Surveyor carried out the survey and submitted report ref. KSI/TC/10/VOL.III/100 dated 8th June 2021 with preliminary findings indicating that there are cases where the Board’s fence has been encroached into, while in other cases, the Board’s fence has encroached into its neighbor’s land parcels.</p> <p>The Encroachment</p>			

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		<p>Kisii Municipality/Block III/48</p> <p>e) On the ground, the boundary of parcel Block III/48 encroaches into parcel Block III/224 by an area of 0.002Ha.</p> <p>f) The boundary of Block III/48 is encroach into by parcel Block III/268 by an area of 0.009Ha.</p> <p>g) The existing fence of Block III/48 encroaches into the road reserve by an area of 0.007Ha</p> <p>h) The ground boundary of parcel Block III/48 is encroached into by the road reserve by an area of 0.002Ha.</p> <p>Kisii Municipality/Block III/150</p> <p>c) On the ground, the existing ground boundary of fence for Block III/150 encroaches into the road by an area of 0.007Ha and into the neighboring un-surveyed parcels by an area of 0.007Ha.</p> <p>d) The boundary of Block III/410 encroaches into parcel Kisii Block III/150 by an area of 0.001 Ha.</p>			

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		<p>Following the County Surveyor’s findings, the Board has engaged the National Land Commission to assist the Board, as part of the Commission’s mandate, to re-place the fence in the rightful places as per the beacons identified by the Surveyor</p> <p>The Board has initiated the process of regularizing the fence for all land parcels in Kisii to re-align it to the requisite boundaries as per the beacons identified and placed by the County Surveyor.</p> <p>Management Response regarding land parcel LR. No. 3490/16 The Management has perused available correspondences and has come up with the conclusion and confirmation that the land parcel LR. No. 3490/16 refers to the holding ground in Solai Township within Nakuru County which was referred to as MILTON SIDING.</p> <p>The NCPB Solai land parcel has since been registered under new Free Hold Title Deed with the new Land Reference Solai/Arutani Block 1/1543.</p>			

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		<p>The Management has scheduled to initiate engagement with the office of the Director, Land Administration with a view of confirming the above findings and for the Ministry of Lands to guide the way forward regarding regularization of the ownership documents in question.</p> <p>Management Response regarding the audit query that - In Kericho County, there were permanent residential houses built and occupied by third parties who claimed to own the property and allotment letters for three of the Board's properties Block 5/65 or LR No 631/488, Block 5/66 or LR No 631/505 and Block 5/67 or LR No 631/504 measuring 0.03 ha (hectares), 0.0389 hectares and belong to the Board were not explained. In addition, the properties Block 5/138, Block 2/49 and Block 5/165 measuring 0.0654 hectares, 0.7284 hectares and 0.0654 hectares had their beacons moved inwards from one side and lost tens of metres of land.</p> <p>Lease Extension for LR. NO. 631/405, 631/406 and 631/407</p> <p>a) The lease documents for the Majengo properties had</p>			

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Ref No.	Issue / Observations from Auditor	Mitigation Measures	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>expired and the Board sought the Extension of Lease for the three properties, whose outcome was submitted to the Board as new lease documents Blk. 5/65, Blk. 5/66 and Blk. 5/67 as per the Director of Survey's letter ref. CT 46/VOL. 84/98 Dated 13TH October 2022.</p> <p>b) It was established that the new lease documents submitted to the Board as a result of the Lease Extension were not consistent with the conversion list since they were for Site & Service area and not Majengo Estate.</p> <p>c) The three properties in Site & Service were occupied by third parties and from the conversion list they are documents Blk. 5/65, Blk. 5/66 and Blk. 5/67.</p> <p>d) This necessitated the Board to commission the law firm of M/S Gikera & Company Advocates to carry out a verification for the encroachment and evict the trespassers.</p> <p>The Site and Service Properties</p>			

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Ref No.	Issue / Observations from Auditor	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																								
		<p>The following is a summary of the land parcels situated in Site & Service area within Kericho Township: -</p> <table border="0"> <thead> <tr> <th>No.</th> <th>Location</th> <th>Land Reference</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Kericho</td> <td>Kericho Municipality Blk. 5/65</td> </tr> <tr> <td>2.</td> <td>Kericho</td> <td>Kericho Municipality Blk. 5/66</td> </tr> <tr> <td>3.</td> <td>Kericho</td> <td>Kericho Municipality Blk. 5/67</td> </tr> </tbody> </table> <p>The Director of Survey report on Conversion</p> <p>The following matrix is the conversion list received from the Director of Survey for Block 5 Kericho County, which established the old and new numbers after conversion: -</p> <table border="0"> <thead> <tr> <th>No.</th> <th>Old LR No.</th> <th>New Block No.</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>631/1203</td> <td>Kericho Municipality Blk. 5/65</td> <td>Site & Service</td> </tr> <tr> <td>2.</td> <td>631/1036</td> <td>Kericho Municipality Blk. 5/66</td> <td>Site & Service</td> </tr> </tbody> </table>	No.	Location	Land Reference	1	Kericho	Kericho Municipality Blk. 5/65	2.	Kericho	Kericho Municipality Blk. 5/66	3.	Kericho	Kericho Municipality Blk. 5/67	No.	Old LR No.	New Block No.	Location	1.	631/1203	Kericho Municipality Blk. 5/65	Site & Service	2.	631/1036	Kericho Municipality Blk. 5/66	Site & Service		
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		<p>3. 631/1639 Kericho Municipality Blk. 5/67 Site & Service</p> <p>4. 631/405 Kericho Municipality Blk. 5/165 Majengo Estate</p> <p>5. 631/406 Kericho Municipality Blk. 5/166 Majengo Estate</p> <p>6. 631/407 Kericho Municipality Blk. 5/167 Majengo Estate</p> <p>Pending Works to Conclude</p> <p>The following are the pending works which the law firm has confirmed are being pursued for completion of the exercise: -</p> <p>a) Obtaining Correspondence File for Kericho Municipality/Block 5 from Registrar: The Conversion list has been acquired and the law firm is in the process of requesting for correspondence files for these land parcels to ascertain the point of confusion, if any, between the old and new land reference numbers.</p>			

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		<p>b) Perusal of the Correspondence/Deed File at lands offices to establish the status of the Application for Extension of Lease. The Correspondence files for the land parcels are yet to be availed to the law firm.</p> <p>- The law firm indicated that they have experienced a lot of delays occasioned by the digitization and conversion of land which has been ongoing at Survey and Lands offices. Most of the records were under lock and key and could not be traced.</p> <p>c) Completion of the Extension of Lease and Rectification /Surrender of Titles for new titles. Proposed timelines – Three (3) Months Management Response regarding the Audit Query that - In Kakamega Depot it was noted that the tenant has built permanent structures on the open space and also repainted the NCPB office. However, there was no evidence provided to show that these developments on the property Blk.1/640 were approved by the Board of Directors.</p>			

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Contingent Liabilities</p> <p>The summary statement of contingent liabilities as disclosed in note 33 to the financial statements reflects an amount of Kshs.438,675,719. However, contingent</p>	<p>The lease for the open space is between Halima and NCPB and approval for the construction was given vide letter NCPB/10/6/2/Vol.1/14.</p> <p>The financial statements disclose contingent liabilities amounting to Kshs. 438,675,719 under Note 33, which includes bank guarantees of Kshs. 16,414,000 and pending legal claims of Kshs. 422,261,719. Contingent liabilities register and a detailed breakdown of these amounts is attached.</p>			

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6.0	<p>liabilities register and breakdown of the amount was not provided for audit. Non-disclosure of contingent liabilities may lead the Board incurring losses that are not budgeted for.</p> <p>In the circumstances, accuracy and completeness of contingent liabilities amounting to kshs.438,675,719 could not be confirmed.</p> <p>Budgetary Control and Performance</p> <p>The statement of comparison of Budget and Actual amounts reflects final receipts budget and actual on comparable basis of Kshs.3,564,972,739 and Kshs.2,439,167,886 respectively, resulting in underfunding of Kshs.1,125,804,802 or 32% of the budget. Similarly, the corporation spent Kshs.3,333,689,550 against the budgeted</p>	<p>Management have taken note of under collection of revenue resulting from low commercial activities and responds as follows:</p> <p>(a) NCPB will upscale trading on commercial commodities including maize in 2024/2025FY.</p> <p>(b) Financial resources have been mobilized to ensure adequate commercial stocks are purchased and sold in 2024/225FY.</p> <p>(c) A strategic plan focusing on key priority areas has been developed and being implemented to turn around he commercial fortunes.</p> <p>(d) NCPB is reviewing its commercial trading policy in order to help strike a balance between its profitability objectives against Public Policy objectives on interventions affecting the core commodities i.e. fertilizers and maize for self-sustainability.</p> <p>We acknowledge the concern regarding the entity's negative</p>	Veronica M.S hiundu Ag. Head of Legal Services	Resolved	

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Ref No.	Issue / Observations from Auditor		Focal Point to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p>amount of Kshs.4,411,285,230 resulting in under expenditure of Kshs.1,077,595,680 representing 24% of the estimated expenditure. Management has attributed the low absorption to low commercial activities.</p> <p>Material Uncertainty Relating to Going Concern</p> <p>The statement of financial position reflects total current assets of Kshs.24,251,179,948 against total current liabilities of Kshs.27,367,274,467 resulting in a negative working capital of Kshs.3,116,094,519 (Kshs.3,255,535,236 for financial year 2022/2023). Further, the Board made a loss of Kshs.992,328,737</p>	<p>working capital of Kshs.3,116,094,519 and the reported loss of Kshs.992,328,737 for the current financial year. While the challenges stem partly from the grounding effect of implementing government programs, Management is actively addressing the situation through the following measures:</p> <ol style="list-style-type: none"> 1. Strategic Interventions <ul style="list-style-type: none"> o The organization is implementing its Strategic Plan, which outlines actionable steps to revamp operations and enhance revenue generation through diversified commercial activities. 2. Balancing Government Programs and Commercial Initiatives <ul style="list-style-type: none"> o While fulfilling our mandate to implement Government programs, we are concurrently prioritizing the development and expansion of profitable commercial activities to ensure financial sustainability. 3. Stakeholder Collaboration <ul style="list-style-type: none"> o Management continues to engage with the Government and other key stakeholders to secure the necessary support, including funding and policy alignment, to strengthen 	Gideon Muthuri Ag.General Manager Marketing and Operation	Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>(2022/2023 loss of Kshs.1,723,292,532).</p> <p>In the circumstances, there is a threat on the entity's going concern and the financial statements have been prepared on a going concern basis assuming continued support from the Government and other stakeholders</p>	<p>the organization's financial position.</p> <p>4. Future Outlook</p> <p>o We are optimistic that the combination of strategic initiatives, enhanced commercial activities, and sustained Government support will restore financial stability and address the identified material uncertainty relating to going concern. Management remains committed to monitoring the organization's financial health and implementing the required interventions to ensure long-term sustainability.</p> <p>The Public Service Commission (PSC) has reviewed the staff establishment among other HR instruments and approved an ideal number of 979 employees which Management is in the process of implementing. During the implementation we shall look at areas of excess and shortages and address them accordingly including re-designations and re-deployments.</p>	Gideon Muthuri Ag.General Manager Marketing and Operation	Not resolved	Work in Progress

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	<p>Variance between Approved Staff Establishment and Actual Posts</p> <p>A review of human resource records revealed that Board has an approved staff establishment of one thousand one hundred and forty (1,140) employees against Seven Hundred and ninety-six (796) employees in post thus resulting to an overall under establishment of three hundred and forty-four (344) employees contrary to Section 2.2 (4) and (5) of National Cereals and Produce Board Human Resource Policies and Procedure</p>	<p>This has been historical, however Management conducted internal recruitment in January 2024 and filled positions from Deputy Manager level and below which were held in acting capacities. The remaining positions for Managers which are held on acting capacities would be addressed when implementing the approved HR Instruments</p>			

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	<p>Manual, June 2019</p> <p>Irregular Payments of Acting Allowances</p> <p>An analysis of National Cereals and Produce Board payroll provided for audit for the financial year 2023/ 2023 revealed forty (40) employees earned acting allowance for more than six (6) months which is contrary to Section C 14 (1) of the Human Resource Policies and Procedures Manual for Public Service, 2016.</p> <p>Under the circumstances, the Management was in breach of the law</p>	<p>The reported six cases were addressed in January 2024 when Management conducted internal recruitment exercise and filled the positions competitively.</p>	<p>James Theuri Ag.Human Resource Manager</p>	<p>Not resolved</p>	<p>Work in Progress</p>
1.2	<p>Irregular Payment of Special Duty Allowance</p> <p>An analysis of National Cereals and Produce Board payroll provided for audit for the financial year 2023/ 2023 revealed</p>	<p>The Kenya Bureau of Standard (KEBS) issued instructions to SBL Innovate manufacturers to recall all the non-compliant products from the market but following the ongoing investigations then by Directorate of Criminal investigations</p>	<p>James Theuri Ag.Human Resource Manager</p>		

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	<p>products on agency basis upon the terms and conditions in the contract. Among the set conditions was that the products delivered to designated regions / depots / silos was to meet the Kenya Bureau of Standards (KEBS) requirements. The supply to the depots was to be made on demand basis. However, KEBS through KEBS/HQ/MS/9/1/VOL.13(82) dated 19 January 2024 requested information on stocks delivered by 51 Capital, African Diatomite Industries as well as facilitation to access stores upon complaints regarding GPC Organic fertilizer which had been distributed to farmers and members of the public through various depots belonging to National Cereals and Produce Board (NCPB).</p> <p>Additionally, KEBS through Ref: NCPB/9/6/VOL.VII/34 dated 31 January</p>		Gideon Muthuri Ag.General Manager Marketing and Operations	Not resolved	Work in Progress

Ref No:	Issue / Observations from Auditor	Management Response	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>2024 was granted access to the NCPB stores to enable sampling of the products for testing. The board through circular Ref: NCPB/A/9/19/VOL.11/10 dated 18 March /2024 directed all depot managers to seize and set aside all GCP products as a non-conforming product following the suspension of permit 603392 by KEBS through letter Ref: KEBS/SRR/QAS/2/GEN dated 8 March 2024.</p> <p>Following Market surveillance activity by KEBS conducted in the month of February 2024, samples of organic fertilizer (GPC Original Plus) were drawn from various regions of the country and tested against the Kenyan Standard KS:2290:2018 Organic Fertilizer -Specification and failed to comply with the requirement of the standard.</p>				

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	<p>A review of records provided revealed that 51 Capital, African Diatomite Industries was nonexistent as at the time of Agency Contract. It was observed that KRA Pin number P051879300M belonged to Fifty-One (K) Capital Limited which was registered on 6th February 2020 and not 51 Capital, African Diatomite Industries. Further, no change of name certificate was provided for audit confirmation to justify the existence of 51 Capital, African Diatomite Industries.</p> <p>Therefore, the existence of KEBS permit number 60392 could not be verified and it was not clear how the Board got into an agency contract with 51 Capital, African Diatomite Industries.</p> <p>The Management transacted with nonexistence company contrary Section 139 (1) (a-c) of the Public Financial</p>				

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	<p>Management regulations 2015 states that the Accounting Officer of a national government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and that movement and conditions of assets can be tracked and stock levels are at an optimum economical level</p> <p>Further, the results observation amounted to contravention of conditions for use of standardization Mark as provided for in Section 10(5) of the standards Act, Cap 496, Laws of Kenya. As a result, Innovate Manufacturers Limited was supposed to; Cease manufacture of Organic fertilizer 9SBL-GPC Original) until they implement corrective actions under the</p>	<p>The balances of Kel fertilizers currently at board depot warehouses remained in storage as seized products pending conclusion of investigations and court case on supply of</p>			

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	<p>supervision of KEBS. Recall all the non-compliant products from the market. Records of all the recalls be verified and products destroyed at their cost.</p> <p>In the circumstance value for money of Kshs.240,437,850 and integrity of the entire procurement process could not be confirmed. Also, this border fraudulent activities.</p> <p>Substandard Distribution of NPK: 10:26:10 Fertilizer Included in the purchases of Kshs.31,536,081,037 includes Kshs.139,682,500 paid to a Chemical Company for the supply of GOK fertilizer Subsidy program (FSP).fertilizers of 50kgs net weight details as follows;</p> <p>i. KELGOLD, KEBS Standardization permit no.44463 and</p>	<p>substandard fertilizers by Kel Chemicals Ltd and Mems distributors Ltd have become police exhibits and is expected to be retained until further guidance or court orders are given to release to them or dispose.</p>			

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2.2	<p>labelled as planting fertilizer, NPK:9:16:6.</p> <p>ii. KELGREEN, KEBS Standardization permit no.72446 and labelled as planting fertilizer 10:26:10</p> <p>iii. KELPHOS PLUS, KEBS Standardization permit no.447789, NPK 10:17:0.</p> <p>KEBS through letter Ref: KEBS/HQ/SM/209 VOL3(120) dated 27 March 2024 drew attention to the brands of NPK fertilizers labelled as planting fertilizers revealed that these products were substandard and did not meet the requirements of the relevant standards and were not suitable for distribution to members of public. A spot visit by the ministry staff led by the Principal Secretary to the Counties and National</p>		Gideon Muthuri Ag.General Manager Marketing and Operations	Not Resolved	Work in Progress

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	<p>Cereals Board Stores revealed that the above fertilizer did not meet the required standards. In this regard, the distribution of this fertilizer was stopped with immediate effect from being issued to farmers as per letter Ref: MOA/LCD/9/41 dated 20 March 2024. Further, audit examination revealed that Kshs.98,490,000 of supplies by KEL Chemicals had already been redeemed and sold to farmers and subsidy amounting to Kshs.35,000,000 paid out. Additionally, amounts of Kshs.159,962,500 being supplies by MEMS Distributors had been redeemed and sold to farmers and subsidies amounting to Kshs.60,000,000 had been paid out. Further, it was observed that the total stocks balances amounting to Kshs.13,467,200 were being held at the</p>	<p>The committee sought the concurrence of the Managing Director so that the Accounting officer guides further on</p>			

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	<p>NCPB warehouses pending further investigations.</p> <p>In the circumstance value for money of Kshs.139,682,500 and integrity of the entire procurement process could not be confirmed. Also, this border fraudulent activities.</p> <p>Procurement of UREA (46%N)</p> <p>Review of the tender Evaluation and negotiation committee minute of the meeting held on 15 December, 2023, the committee after negotiation with the qualified bidders noted that two firms had tied on supply for Urea (46% N) at Kshs.4,150 per bag of 50kgs. The Tender Negotiation Committee under paragraph 2 page 10 of the minute stated that “Ms SLDR International and MEMS</p>	<p>whether the quantities are distributed equally between the two companies on equal share or engage the two firms on further competitive negotiations to untie the price as guided in sec 131(a) of the PPAD Act 2015. The accounting officer was provided with tender evaluation report, negotiation report, tender documents of the winning bidder and the signed professional report as required by law to make his determination as he deems fit.</p> <p>The accounting officer guided that the entire quantity of UREA 46% N be awarded to MEMS distributors Ltd.</p> <p>The provisions of section 44(1) of the Procurement ACT 2025 and its attendant regulations 2020 vests the entire responsibility of ensuring compliance in the accounting Officer (AO). In addition, the AO has a duty to safeguard public resources and any action taken should not result to loss of public funds. In this case no public funds were lost. In addition, from the process SLDR who had tied had awards in sizeable amounts from the same process thus mitigating on risks of litigation keeping in mind section 40.1 of tender document which stipulated that NCPB was at liberty to ensure fair and equitable distribution in</p>			

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2.3	Distributors tied in the supply of UREA 46% N at Kshs.4,150 per 50Kgs bag. The Managing Director was to guide on the supply and delivery of the required quantities from the two firms”. However, in the third professional opinion dated 15 December, 2023 and under “recommendation”, the head of procurement services stated that “In view of the guidance from the Managing Director and the evaluation committee recommendation, I suggest the award of Urea (46%N) to MEMS in realizing fair and equitable distribution as guided under section 40.1 of the tender document”. In this regard, an LPO number 81C4006617 dated 6 March 2024 was issued to Ms MEMS for supply of 600,000 bags of Urea 46% N fertilizer at contract price of Kshs.2,490,000,000. It could not be	line with constitutional requirements of Article 227(1).	Nelson Waswa Head of Procurement Services	Not Resolved	Work in Progress

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	<p>established why the tender evaluation committee had to ask the Managing Director to guide on the supply and delivery of the required quantities. Further, it was not explained how the Managing Director and the Head of Procurement Services decided to award supply of the 600,000 bags to Ms MEMS at a contract price of Kshs.2,490,000,000 instead of splitting the tender as requested by the tender negotiation committee contrary Section 84 sub section 1 of the Public Procurement and Assets disposal Act, 2015 states that the head of procurement function of a procuring entity shall, alongside the report to the evaluation committee as secretariat comments, review the tender evaluation report and provide a signed professional opinion to the accounting officer on the</p>				

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	<p>procurement or asset disposal proceedings.</p> <p>The award of tender to one supplier shows impartiality in the award of the tender and as a result, litigation may be instituted by other supplier leading to the Government losing money on legal fees.</p> <p>In the circumstance value for money and integrity of the entire procurement process could not be confirmed.</p> <p>Fertilizers and Cereals That Were Not Delivered to the Depots</p> <p>Comparison of the mezzanine records provided for audit by National Cereals and Produce Board, Head office for supply and delivery of fertilizers and other cereals to various depots across the country and the actual deliveries as per the</p>	<p>The fertilizer delivered by the various suppliers indicated in the report have been confirmed to have been delivered and received at the last mile centers and sub-depots (Myaga and Tamlega) indicated in the attached reconciliation report. A total of 57,766 bags of fertilizer against the variance of 63,116 bags noted were received in those centres and sub-depots.</p> <p>However, reconciliation of 5,350 bags in Kitale, Webuye and Kakamega depots are ongoing to address the shortfall and reconfirm the excess fertilizer of 6,040 bags received in Kitale depot.</p>			

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2.4	<p>depots records in Navision provided for audit review revealed that supplies totalling Kshs.241,847,400 meant for Western and Nyanza regions were not actually delivered and received by the depots. Kisii depot had the highest shortage of Kshs.142,454,300 followed by Malaba at Kshs.47,909,500, Bungoma depot Kshs.34,418,100, Kakamega depot Kshs.9,649,500, Kitale depot at Kshs.4,941,000 and Webuye depot at Kshs.2,475,000. However, no explanation was provided as to whether follow up had been made with the suppliers to ensure that the fertilizers and other cereals not delivered were actually delivered. Further, no inspection and acceptance committee report at the depots level was provided for audit review.</p>	<p>The Kenya Bureau of Standards (KEBS) letter gave instruction to SBL Innovate manufacturers to recall all the non-compliant products from the market but following the then ongoing investigations by Directorate of Criminal investigations (DCI) and sampling/testing by KEBS it was guided that the products be ceased and retained in NCPB stores until the investigations</p>	<p>Gideon Muthuri Ag.General Manager Marketing and Operations</p>	<p>Not Resolved</p>	<p>Work in Progress</p>

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	<p>In the circumstance value for money and integrity of the entire procurement process could not be confirmed</p> <p>Seized Fertilizers</p> <p>During audit verification in selected depots in Nyanza, Western and part of South Rift, it was noted that 981 bags of fertilizers costing Kshs.1,574,100 supplied by Ms 51 Capital (Diatomaceous and Animal supplements) were seized by the Directorate of Criminal Investigation (DCI) and the depots were not allowed to sell the fertilizers. The fertilizers have since been deteriorating by gathering dust in the stores as the depot awaits authorization from the head office for destruction of the fertilizers. This contrary to Section 48 sub section 3 of the Public Procurement and Assets Disposal Act</p>	<p>were completed. Following the conclusion of the investigation the suppliers and other persons have been arraigned in courts, hence the seized products became police exhibits and have been retained until further guidance or court orders are issued to release or for safe disposal of these products.</p>			

National Cereals and Produce Board
 Annual Report and Financial Statements for the year ended June 30, 2025

Ref. No.	Issue / Observations from Auditor	Comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.5	<p>2015 states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services; Inspect and where necessary, test the goods received.</p> <p>(c) Accept or reject, on behalf of the procuring entity, the delivered goods, works or services. Sub section (4) state that the inspection and acceptance committee shall;</p> <p>In the circumstance value for money and integrity of the entire procurement process could not be confirmed</p> <p>Fertilizers that Were Replaced for Farmers</p> <p>Audit verification in various deports in Nyanza, Western and South Rift revealed that a total of 1,960 bags of KEL</p>	<p>The guidelines issued Guidelines ref: NCPB for implementation of the substandard Kel green (NPK 10:26:10) fertilizers provided replacement of fertilizers to all farmers who bought the substandard fertilizers and have lodge a complaint at the respective depots.</p> <p>Based on these guidelines the farmers were not required to surrender the bags but provided the type of fertilizers to be replaced as long as they bought the substandard Kel green fertilizer</p> <p>Guidelines ref: NCPB/A/9/17/VOL. XXIV/40 dated 23rd April 2024 and PS State Department for Agriculture letter on compensation of affected farmers attached</p>	Gideon Muthuri Ag.General Manager Marketing and Operations	Not resolved	Work in Progress

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>fertilizers were supplied to the depots in Tamlega (Bungoma), Kitale and Kakamega. The fertilizers were supplied at Kshs.4,300 per bag totalling Kshs.8,428,000. A circular from the head office instructed the depot managers to replace the fertilizers for all the farmers who had purchased the KEL fertilizers. It was further noted that the farmers that were coming for replacements did not bring back the bags as requested by the depot managers Section 48 Sub Section (3) of the Public Procurement and Assets Disposal Act 2015 states that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services Failure by the inspection and acceptance committee to comply with Section 48 Sub Section (3) of the Public Procurement and Assets</p>	<p>Arising from the results of both the preliminary and technical evaluation stages, only one bidder M/S. Connexus Investments</p>	<p>Gideon Muthuri</p>		

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.6	<p>Disposal Act 2015 in ensuring that goods delivered were inspected before being accepted.</p> <p>In the circumstance, value for money and integrity of the entire procurement process could not be confirmed.</p> <p>Supply, Installation and Commissioning Color Sorter for NCPB Rice Mill</p> <p>The Management during the year under review awarded through open tender the second lowest bidder for the supply, installation, testing and commissioning a state-of-the-art color sorter for NCPB Rice Mill vide NCPB/COLOUR SORTER/SAGANA RICE MILL/18/2021-2022 at a contract sum of Kshs.11,501,881 instead of the lowest bidder of Kshs.6,235,144 which could</p>	<p>Ltd qualified and proceeded to the Financial evaluation stage where it was established that the bidder offered quotation for two models as indicated below;</p> <p>MANUFACTURER COUNTRY PRICE (KSHS) TIME</p> <p>1.Chinese Pingle China 6,235,144.00 120 Days</p> <p>2.AKY Turkey Turkey 11,501,881.00 120 Days</p> <p>The preferred country of origin of the colour sorter was clearly captured in the tender document in the table of "Technical Specifications" (Item No.11) as follows;</p> <p>Country of origin: The desired pulses cleaning machine should be from European manufacturer or OECD member state.</p> <p>Bidders to indicate country of origin.</p> <p>Option 1 was disqualified as none compliant offer due to the above criteria</p> <p>Option 2 was picked for meeting the set criteria.</p>	Ag.General Manager Marketing and Operations	Not resolved	Work in Progress

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																
3.0	<p>have resulted to possible saving of Kshs.5,266,737</p> <p>In the circumstances, value for money could not be confirmed.</p> <p>Supply for installation and commissioning of Pulses Cleaning Machine at GCP Depot</p> <p>The Management during the year under review awarded though open tender the second lowest bidder for the supply and installation testing and commissioning of 2.5 Tph pulses cleaning machine at GCP Depot vide contract No. NCPB/TECH/PULSES</p>	<p>Arising from the results of the preliminary and technical evaluation stages, only one bidder M/S. Connexus Investments Ltd qualified and proceeded to the Financial evaluation stage where it was established that the bidder offered price for three models as indicated below;</p> <table border="1"> <thead> <tr> <th>MANUFACTURER</th> <th>COUNTRY</th> <th>PRICE (KSHS)</th> <th>TIME</th> </tr> </thead> <tbody> <tr> <td>1.Shijiazhuang Julite</td> <td>China</td> <td>29,228,085.</td> <td>4-5 Months</td> </tr> <tr> <td>2.Alvan Blanch UK</td> <td></td> <td>70,393,874.00</td> <td>4-5 Months</td> </tr> <tr> <td>3.AKY Turkey</td> <td></td> <td>57,896,770.00</td> <td>4-5 Months</td> </tr> </tbody> </table> <p>The preferred country of origin of the machine was clearly captured in the tender document in the table of "Technical Specifications" (Item No.22) as follows;</p>	MANUFACTURER	COUNTRY	PRICE (KSHS)	TIME	1.Shijiazhuang Julite	China	29,228,085.	4-5 Months	2.Alvan Blanch UK		70,393,874.00	4-5 Months	3.AKY Turkey		57,896,770.00	4-5 Months	Nelson Sawenja Head of Procurement Services	Not resolved	Work in Progress
MANUFACTURER	COUNTRY	PRICE (KSHS)	TIME																		
1.Shijiazhuang Julite	China	29,228,085.	4-5 Months																		
2.Alvan Blanch UK		70,393,874.00	4-5 Months																		
3.AKY Turkey		57,896,770.00	4-5 Months																		

Ref No.	Issue/ Observations from Auditor		Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (If a date when you expect the issue to be resolved)
3.1	<p>MACHINE/19/2021-2022 at a contract sum of Kshs.57,596,770 while the lowest bidder of Kshs.29,000,000 leading to possible saving of the Kshs.28,596,770</p> <p>In the circumstances, value for money could not be confirmed.</p>	<p>Country of origin: The desired pulses cleaning machine should be from European manufacturer or OECD member state.</p> <p>Bidders to indicate country of origin.</p> <p>Option 1 was disqualified as none compliant offer due to the above criteria</p> <p>Option 2 and 3 mate the above criteria and option 3 was picked for meeting the set criteria and for being cheaper than option 2</p> <p>The board has Six regions across the country. All the regions are equipped with Auditors and Accountants who are supposed to undertake spot checks per depot every quarter. Further to this there is an annual stock take carried out and results are analyzed and corrective action undertaken.</p> <p>Loss of stock of ksh 2,613,414 was noted during the year during the spot checks and recoveries initiated as per attached list of debit notes raised to the concerned staff.</p> <p>SUMMARY OF DEBIT NOTES RAISED 2023-2024 F/Y</p> <p>DEBIT NOTE P/NO NAME AMOUNT</p>	Nelson Waswa Head of Procurement Services	Not	Work in Progress

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Loss of Stock Held in the NCPB Stores</p> <p>Review of the records provided for audit by the purchases section of NCPB Head Office revealed loss of various stock by NCPB officers totalling Kshs.2,613,414. Failure by the Head of the Procurement to carry out inspections on stocks held in the stores as required by Section 162 (2) of the Public Procurement and Assets Disposal Act, 2015 contrary Section 162 (2) of the Public Procurement and Assets Disposal Act, 2015 states that the head of procurement function shall arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the accounting officer.</p>	<p>REMARKS</p> <ul style="list-style-type: none"> • 11D4231111 7033 ZACHARY NGUGI 3,100.00 1 BAG-CODE 5208 • 11D4236002 7323 NATHANIEL NJUGUNA SIRICHI 477,920.00 58 BAGS OF 3RD PARTY RICE • 11D4235981 7378 MAURICE MUINDI 6,900.00 30 PIECES OF IRON SHEETS • 11D4236274 6173 OMUCHEI ABEDNEGO 274,166.51 47 BAGS-ETG CAN-(KNTC) • 11D4236277 6173 OMUCHEI ABEDNEGO 93,333.28 16 BAGA-KYNO MAIZE (KNTC) • 11D4236275 6173 OMUCHEI ABEDNEGO 122,499.93 21 BAGS-NPK 23 23-FALCON-(KNTC) • 11D4236378 7111 WIRE BEN OMOMDI 199,800.00 37 BAGS OF CAN-(KNTC) • 11D4236379 7057 NYANGACHA EVANS ONDEYO 264,600.00 49 BAGS OF CAN-(KNTC) • 11D4236376 4631 OBUBA PETER OCHIENG 		resolved	

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
5.1	In the circumstances, the accuracy and completeness of stocks amounting to Kshs.2,613,414 resulting from loss of stocks could not be confirmed.	<p>199,800.00 37 BAGS OF CAN-(KNTC)</p> <ul style="list-style-type: none"> 11D4236382 7057 NYANGACHA EVANS ONDEYO 77,350.00 17 BAGS-MICRO TOP DRESSINH-(KNTC) 11D4236380 4631 OBUBA PETER OCHIENG 54,600.00 12 BAGS-MICRO TOP DRESSINH-(KNTC) 11D4236381 7111 WIRE BEN OMOMDI 54,600.00 12 BAGS-MICRO TOP DRESSINH-(KNTC) 11D4237161 7270 MAINA SUSAN MUTHONI 2,500.00 0.5 BAG OF Green grams 11D4237161 7278 KOSKEI CAROLINE CHEPKEMOI 2,500.00 0.5 BAG OF Green grams 11D4237684 7069 MUTHOKA MORRIS MUTUKU 54,970.00 10 BAGS OF NPK 17:17:17-(KNTC) 11D4245277 7338 WINROSE WANGARI 	John.M.Gichuru Ag.General Manager Accounting and Finance	Not resolved	Work in Progress

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>NJOROGE 721,174.00 54 BAGS-7140,11 BAGS-7126,25 BAGS-7149,18 BAGS-7144,42 BAGS-7135</p> <ul style="list-style-type: none"> 11D4248463 3693 JOYCE MWANDI 3,600.00 2 BAGS-CAN FERTILZER <p>TOTAL 2,613,413.72</p> <p>The physical shortage of 20 bags of fertilizer materials occurred while on transit between the SGR station terminus and Maisha Minerals and Fertilizer Factory both in Athi River township. Reconciliation is being undertaken and recovery of the 20 bags loss will be done from transporters payments.</p>			

National Cereals and Produce Board
 Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Physical Dispatch Stock Variance between Mombasa, SGR terminal and Maisha Minerals</p> <p>Kenya National Trading Corporation through the letter Ref: MOA/LCD/9/41 dated 23 May 2023 received instructions after consultations that the NCPB be mandated to oversee procurement, blending and distribution of the Russian fertilizer donation. In this regard, the Kenya National Trading Corporation was requested to hand over the 34,000 MT fertilizer donation to the managing director NCPB with immediate effect. However, a letter Ref: NCPB/NER/7/21/VOL.1/25 dated 3 August, 2023 sent by the Regional Manager -Nairobi / Eastern to Managing Director of NCPB referring to report on the flow of the Russian Donated fertilizer</p>				

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.2	<p>indicated that there was shortage of 20 bags from the SGR dispatch and quantity received at Maisha Minerals. The 20 bags comprised of 11 bags of urea and 9 bags of MOP respectively as summarized below;</p> <p>Further, it was also noted that there was an excess of 50 bags in the bags dispatched from Mombasa and received at SGR Athi River as below; However, no explanation was offered on the variances noted and accordingly, the recoverability of lost fertilizer and reconciliations of the fertilizer products could not be ascertained.</p> <p>Mobile Driers – Lack of Proper Documentation</p> <p>An audit inspection of assets in National Cereals and Produce Board depots for the financial year 2023/2024 revealed that</p>	<p>The Board has received a mobile dryer at Kericho depot and that the dryer has not been used since January 2024.</p> <p>NCPB was identified as one of the entities to benefit from GoK program to supply mobile dryers under sustainable post-harvest management project. The intention was to mitigate post-harvest losses which may arise due to unsafe storage moisture content by drying the grain to attain the recommended/ safe moisture content levels and in the process contributing significantly to food and nutrition security.</p> <p>A task force has been appointed by the Principal Secretary, State Department of Agriculture vide letter MOALD/ENG/CDS/001/Vol. 7(46) dated 6th December 2024 (See Annex 24.0(a)). The terms of reference are clearly spelt out in this letter. The overall objective is to ensure operationalization of the mobile dryers/uptake of the drying facilities.</p>	Gideon Muthuri Ag.General Manager Marketing and Operations	Not resolved	Work in Progress

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref. No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>various depots received mobile driers from the Ministry of Agriculture. However, majority of the mobile driers had no proper documentation and accessories. Further all the mobile driers had not been handed over and yet some Depots had already started using them. Additionally, management of the National Cereals and Produce Board depots had not made any effort in properly securing the mobile driers. The driers verified were found to be kept outside the depots and exposed to the harsh weather conditions including dust, rains among others.</p> <p>Physical verification carried out on Kericho confirmed that the depot has a Fixed Drying Machine Plant installed in 1989 with two internal parts out of which one internal part was later dismantled and taken to a different National Cereals and</p>		Muoka		

National Cereals and Produce Board
Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management Response	Focal Point Person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6.2	<p>Produced Board depot. The locals prefer growing tea as compared to cereals and therefore no explanation was provided as to why this depot was given the mobile drier which was assembled in January 2024. As at the time of the audit, it was confirmed that the drier had just been lying idle and there was no possibility that it would be used in the near future.</p> <p>Fixed Driers and Silos – Inefficient Management of Asset</p> <p>An audit inspection of National Cereals and Produce Board depots for the financial year 2023/2024 revealed that Eldoret, Kericho and Nakuru depots were using outdated Fixed Drying Machine Plant and Silos which were installed way back in the year 1982. It was observed that Eldoret and Nakuru Depots Drying Machine Plants require a complete</p>	<p>Drying Plant require Complete Overhaul</p> <ul style="list-style-type: none"> Eldoret The dryer was installed in 1982 and owing to budgetary and cash constraints we have not been able to install new modern and efficient grain dryers. However, the Board has continued to ensure the dryers are in serviceable state by undertaking periodic preventive maintenance and replacement of spares Nakuru The 2no. fixed dryers were installed in 1988 and are in a good serviceable condition. They are serviced periodically. The main issue is that they have been overtaken by technology and therefore new dryers are recommended for improved efficiency in drying process. <p>Overhaul of Internal Weighers</p> <ul style="list-style-type: none"> Eldoret The Board in the 2024/25 financial year shall install new internal weighers (process weighers) in Eldoret. A contract has been awarded to the successful bidder. Nakuru It is true that the internal weighers in Nakuru require to be rehabilitated and fully automated. This will be proposed for budgeting and implementation in 	Mwango Manager Technical Services	Not resolved	Work in Progress

National Cereals and Produce Board
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6.3	<p>overhaul including automation of their internal weighers. Further, the two depots' Silos roofing are damaged and they require repairs;</p>	<p>the 2025/26 financial year Damaged Roofs and require repairs</p> <ul style="list-style-type: none"> Eldoret The Board in the 2024/25 financial year shall re-roof the over-silo canopy roof and install gutters and down-pipes. A contract has been awarded to the successful bidder. Nakuru The over-silo canopy roof is in fair condition at the moment and not recommended for immediate replacement. <p>(1) Issue: The mobile dryer was delivered in the depot in April 2024; however, it has not been tested or used due to lack of high electricity voltage (three phase) Management Response The Mau Narok plant has 3 – phase power connectivity but lacks 3-phase metering unit. The Board has requested KPLC to install this unit.</p> <p>(2) Issue: Obsolete items such as fixed dryer and 10no. silo</p>	<p>Muoka Mwangi Manager Technical Services</p>		

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 Annual Report and Financial Statements for the year ended June 30, 2025

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Mau Narok Depot</p> <p>The drier was delivered to the depot in April 2024, however, it has never been tested or used due to lack of high electricity voltage (three phase) which is yet to be installed.</p> <p>Depot has obsolete assets such as fixed drier and ten silos which were last used in the year 2008. The assets have been idle for sixteen years. Inquiries from Management indicated that the fixed drier stalled in 2008 and some of the parts were removed and fixed in other functional dryers in other depots. The drier is beyond repair and has been rendered obsolete</p> <p>There Sub Deport operates a manual weighbridge which is not digitized and which is only used during peak seasons,</p>	<p>bins</p> <p>Management Response</p> <p>The plant did not and does not have a fixed dryer. However, the Board has identified this facility as among others which may be considered for upgrade in the future possibly through a public private partnership arrangement.</p> <p>(3) Issue: Depot operates a Manual Weighbridge</p> <p>The Board has identified this facility to be leased out on as-is, where- is basis to prospective weighbridge operators</p>		Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>that is; between February to April every year. However, revenue generated from the same could not be confirmed due to manual operations, therefore, reliability and authenticity of the manual records could not be confirmed.</p> <p>The depot is not under CCTV surveillance as none has been installed, in the circumstance, the security of mobile dryer which is left in the open without proper storage facility is in doubt. The security of the whole area under the depot and its' assets is not guaranteed and this may lead to loss of public funds through theft</p> <p>Tamlega Depot</p> <p>The Drier was delivered to the depot in the financial year 2023/2024 in the month of April. The dryer was installed and tested; however, it has never been used. Inquiries from Management indicated that local</p>	<p>A task force has been appointed by the Principal Secretary, State Department of Agriculture vide letter MOALD/ENG/CDS/001/Vol. 7(46) dated 6th December 2024 (See Annex 24.0(a) above). The terms of reference are clearly spelt out in this letter. The overall objective is to ensure operationalization of the mobile dryers/uptake of the drying facilities.</p> <p>(a) Poor perimeter fence- This is an accurate assessment of the situation and the Board shall proceed to address this gap through the budget making process.</p> <p>(b) Lack of CCTV surveillance- The Board has not planned to install a CCTV system in the depot due to budgetary constraints</p>			

Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>farmers carry out maize farming in small scale and do not therefore need the mobile dryer whose capacity is ten tons.</p> <p>The depot is not under CCTV surveillance as none has been installed. In the circumstance, the security of mobile dryer which is left in the open without proper storage facility is in doubt. Further, the fence around the depot premises/property is not properly done and can be easily accessed by strangers and thieves. In the circumstance, security of the whole area under the depot and its' assets are not guaranteed and this may lead to loss of public funds through theft.</p> <p>There were thirty fire extinguishers lying idle in the store. The extinguishers have been lying idle since the year 2021 as they were not installed in various spots within the premises. The extinguishers would</p>	<p>(c) Fire extinguishers lying in the store- This is true. The Board shall ensure that the fire extinguishers are mounted in their places at the store, office and residential houses.</p> <p>(d) Leaking roofs. The Board has taken note of this issue and shall seal the leaking spots immediately.</p>			

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Ref. No.	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>therefore not serve the intended purpose in case of fire breakout.</p> <p>Management also reported that the stores roofs had leakages during rainy seasons. This leads to wastage and loss of fertilizers. This was evident as there were three fertilizers, (Mavuno Top-dress) that were rejects as they had been rained on and could not be sold. In the circumstance, roof leakages rendered the three fertilizers rejects/obsolete and hence loss of public resources.</p> <p>Myanga Depot</p> <p>The Drier was delivered to the depot in the financial year 2023/2024 in the month of April, however, it has never been tested or used due to lack of high electricity voltage (three phase) which is yet to be installed. The depot is not under CCTV surveillance</p>	<p>Management Response</p> <p>The Board had written to the Principal Secretary, State Department of Agriculture to seek support to upgrade power supply to 3-phase. Attached is letter MOA/MN/15/19 dated 16th September, 2024 in connection to this matter. See Annex 24.0(b)</p> <p>(2) (a) Lack of CCTV in the depot. (b) Poor perimeter fence</p> <p>Management Response</p> <p>(a) Lack of CCTV surveillance- The Board has not planned to install a CCTV system in the depot due to budgetary constraints</p>			

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	<p>as none has been installed. In the circumstance, the security of mobile dryer which is left in the open without proper storage facility is in doubt. Further, the fence around the depot premises/property is not properly done and can be easily accessed by strangers and thieves. In the circumstance, security of the whole area under the depot and its' assets is not guaranteed and this may lead to loss of public funds through theft.</p> <p>Kipkaren River Depot The Drier was delivered to the depot in the financial year 2023/2024 in the month of April, however, it has never been tested or used due to lack of high electricity voltage (three phase) which is yet to be installed. Inquiries from Management indicated that local farmers carry out maize farming in</p>	<p>(b) Poor perimeter fence- This is an accurate assessment of the situation and the Board shall proceed to address this gap through the budget making process</p> <p>A task force has been appointed by the Principal Secretary, State Department of Agriculture vide letter MOALD/ENG/CDS/001/Vol. 7(46) dated 6th December 2024 (See Annex 24.0(a)). The terms of reference are clearly spelt out in this letter. The overall objective is to ensure operationalization of the mobile dryers/uptake of the drying facilities.</p> <p>However, the Board confirms that there is 3-phase power connection available at Kipkarren River Depot.</p>			

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Ref. No.	Issue / Observations from Auditor	Management comments	Facial Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>small scale and sugar cane farming in large scale and therefore do not need the mobile dryer whose capacity is ten tons.</p> <p>Status of Various NCPB Depot Stations Malaba Depot</p> <p>There was no weighbridge hence all the weighing was done manually. Sample weighing is done randomly to determine the weight of the rest of the load. However, revenue generated from the same could not be confirmed due to manual operations, therefore, reliability and authenticity of the manual records could not be confirmed.</p> <p>not be traced back to the system.</p> <p>Bungoma Depot</p> <p>Unknown value of 3 bishop elevators were poorly stored and were wearing out and rusting away. They were prone to</p>	<p>The Board had no immediate plans to install a weighbridge at Malaba depot on account of more deserving cases top on the priority list.</p> <p>The Board shall ensure the elevators are moved to one of the empty stores pending disposal of the elevators which are actually obsolete/unserviceable.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>theft and vandalism</p> <p>Webuye Depot</p> <p>The depot is not under CCTV surveillance as none has been installed. Further, the fence around the depot premises/property is not properly done and can be easily accessed by strangers and thieves. In the circumstance, security of the whole area under the depot and its' assets is not guaranteed and this may lead to loss of public funds through theft.</p> <p>Management also reported that the stores roofs had leakages during rainy seasons. This leads to wastage and loss of fertilizers. As a result, the warehouse could not me used maximumly as parts of the roof leaked water leading to spoilage of items stored</p> <p>Malava Depot</p>	<p>(a) Lack of CCTV surveillance- The Board has not planned to install a CCTV system in the depot due to budgetary constraints.</p> <p>(b) Leaking roofs. The Board has taken note of this issue and shall seal the leaking spots immediately. However, in some of the stores the solution is to re-roof them. This shall be proposed for implemented through the budgeting making process.</p> <p>(a) Lack of CCTV surveillance- The Board has not planned to install a CCTV system in the depot due to budgetary constraints.</p> <p>(b) The Board had no immediate plans to install a weighbridge</p>			

Ref No.	Issue / Observations (from Auditor)	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
7.0	<p>The depot is not under CCTV surveillance as none has been installed. Further, the fence around the depot premises/property is not properly done and can be easily accessed by strangers and thieves. In the circumstance, security of the whole area under the depot and its' assets is not guaranteed and this may lead to loss of public funds through theft.</p> <p>There was no weighbridge hence all the weighing was done manually. Sample weighing was done randomly to determine the weight of the rest of the load. However, revenue generated from the same could not be confirmed due to manual operations, therefore, reliability and authenticity of the manual records could not be confirmed.</p> <p>Drier was delivered to the depot in the financial year 2023/2024 in the month of</p>	<p>at Malava depot on account of more deserving cases top on the priority list.</p> <p>(c) A task force has been appointed by the Principal Secretary, State Department of Agriculture vide letter MOALD/ENG/CDS/001/Vol. 7(46) dated 6th December 2024 (Annex 1). The terms of reference are clearly spelt out in this letter. The overall objective is to ensure operationalization of the mobile dryers/uptake of the drying facilities.</p> <p>However, the Board confirms that there is 3-phase power connection available at Malava Depot</p>	<p>Muoka Mwango Manager Technical Services</p>	<p>Partly resolved</p>	<p>Work in Progress</p>

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>April, however, it has never been tested or used due to lack of high electricity voltage (three phase) which is yet to be installed.</p> <p>Kakamega Depot</p> <p>Management also reported that the stores roofs had leakages during rainy seasons. This leads to wastage and loss of fertilizers. As a result, the warehouse could not be used effectively as parts of the roof leaks water leading to spoilage of items stored.</p> <p>Kisumu Depot</p> <p>50kgs of 34,000 bags of rice paddy of third-party firm was found in the stores. The consignment was found to have been infested with bugs making it not suitable for human consumption. It was however not explained why the consignment has not been removed from the store as it continues occupying space that can be</p>	<p>Leaking roofs. The Board has taken note of this issue and shall seal the leaking spots immediately. However, in some of the stores the solution is to re-roof them. This shall be proposed for implemented through the budgeting making process</p> <p>The 34,000 x 45 kg bags of paddy rice belong to the board and not third-party's are still wholesome and not unfit for human consumption. The same paddy rice is due for fumigation and was fumigated on 8th October 2024 and the stack is now free from any infestation. (See Annex 17.0).</p> <p>Leaking roofs. The Board shall prioritize to re-roof this store in</p>			

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management Response	Focal Point person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>utilized by the Board to earn revenue.</p> <p>Meru NCPB Depot The roof of Meru National Cereals and Produce Board Depot Store One (1) was found to be leaking. Store One (1) has been leased out to One Acre Fund. It was noted that the third-party stocks from One Acre Fund had been damaged by the water due to leaking roofs. It was observed that Forty-nine (49) bags of 50kgs of CAN fertilizers and one hundred and six (106) bags of 25kgs of CAN fertilizers had been destroyed by rain water. Similarly, one hundred and three (103) knapsack spray could not be sold by the client as the covers were had been spoiled by the rain water.</p> <p>Subukia NCPB Depot The roof of Subukia National Cereals and Produce Board Depot Store Two (2) was</p>	<p>the 2025/26 budget making process.</p> <p>Leaking roofs. The Board has taken note of this issue and shall seal the leaking spots immediately</p>			

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>leaking. Store Two has been leased out to Procure limited who at the time of the audit had requested for the roof to be repaired. Although repairs were done on the roof of Subukia National Cereals and Produce Board Depot Store Two (2) on July 2023, it was noted that a section of the roof was still leaking.</p> <p>Eldoret NCPB Depot</p> <p>During the financial year 2023/2024 Eldoret depot requested maintenance of stores roof leakages but as at the time of the audit, nothing had been done. The roofs of Eldoret National Cereals and Produce Board depot, Store Three (03) leased to Mombasa Maize Millers, located at Farmers Street Eldoret and Store Four (04) used by NCPB to store fertilizers, located at Silo stores were found to be leaking. As a result of the roof leakages</p>	<p>a) Leaking roofs Store 03. The Board has taken note of this issue and shall seal the leaking spots immediately. However, we are aware the store needs to be re-roofed. This shall be proposed for implemented through the budgeting making process.</p> <p>(b) Leaking roofs Store 04. The Board can confirm that store 04 was re-roofed and completed in the month of December, 2024.</p>			

Ref No.	Issue /Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>the stores' space is not fully utilized. Guideline 74 (1) of the Guidelines on Asset and Liability Management in the Public Sector states that every accounting officer shall be directly responsible for ensuring that all assets under their responsibility are properly maintained and, in a manner that will ensure that such assets attain their useful lives. Guideline 74 (2) of the Guidelines on Asset and Liability Management in the Public Sector states that the accounting officers shall take responsibility for the control and utilization of assets, monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses shall include all labour and material costs for the repair and maintenance of the assets.</p>				

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Possible loss of public funds through legal litigation against National Cereals and Produce Board by the third-party due to the damaged stocks by rain water due to leaking rooftops.</p> <p>Lack of Gender Diversity on the Board of Directors</p> <p>Review of the Board of Directors revealed that the Board Committee Members whose term commenced on 20 April 2023 had a membership of 8 members and out of this, only one of them was a female, failure to comply with Chapter 1 on Governance of Principles (1) of the Mwongozo Code of Governance in representation of the gender diversity.</p> <p>Failure to Maintain Fixed Asset Register and Untagged Assets</p>	<p>This is well noted.</p> <p>NCPB shall make a follow up with its parent Ministry for regularization.</p> <p>The NCPB asset register is currently managed through the Microsoft Dynamics Business Central ERP system within the Asset Register sub-module. This system enables a comprehensive review of asset data in summary form, with</p>			

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>The asset register for the board presented for audit had assets whose book value was Kshs.16,364,835,574. However, further review of the of the register revealed crucial information had not been provided such as financed by / source of funds, serial number, tag numbers, make and model, date of delivery / installation, payment voucher number, original location, current location, replacement date where applicable, depreciation rate, date of disposal, disposal value, responsible officer and the asset condition of assets owned by the Board..Physical verification carried out on the fixed assets revealed that laptops and computer accessories procured during the financial year under review amounting to Kshs.6,498,807 had not been not tagged.</p>	<p>detailed information accessible by drilling down into individual item codes.</p> <p>To enhance our reporting capabilities and provide more detailed asset information, we are in the process of updating the Asset Register to include the specifications. We have successfully completed the updates for the Land Register, which will be provided for your review. Updates for other asset categories, including buildings, motor vehicles, furniture and fittings, and additional fixed asset components, are actively underway. (See Annex 20.0)</p> <p>The assets that are not tagged were acquired after the conclusion of the tagging exercise in 2016.</p> <p>The items will be tagged in the next valuation and tagging exercise.</p>			

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and Designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8.0	<p>In the circumstances, Management was in breach of The National Treasury circular.</p> <p>Non-Operationalization of National Food Reserve and National Trading Divisions</p> <p>The Board was supposed to operationalize the National Food Reserve and National Trading Divisions as per Circular Ref: MOA/B.1/6A dated 29 April, 2020. The divisions were to deal with matters of Strategic Food Reserve and undertake commercial storage and trading in food commodities. However, the Board has not operationalized the two divisions.</p> <p>In the circumstances, Management is in breach of the law and the assurance of food security in the country could not be confirmed.</p> <p>Asbestos Materials</p> <p>An audit inspection of assets in National</p>	<p>The Board in the 2024/5 was to undertake removal of asbestos in Kilifi, Malaba, Thika and Nakuru depots but owing to budget curtailment by the National Treasury the Board has not initiated the process. The Board remains committed to remove all the asbestos roofing material in the network and therefore at every budget process we shall endeavor to secure funds.</p> <p>The Board in the 2024/5 was to undertake removal of asbestos</p>	<p>Veronicah M Shiundu Ag.Head of Legal Services</p> <p>Veronicah M Shiundu Ag.Head of</p>	<p>Not resolved</p>	<p>Work in Progress</p>

Ref No.	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
9.0	Cereals and Produce Board depots for the financial year 2023/2024 revealed that Nyeri, Kiganjo, Kedowa, Embu, Meru and Nakuru depots have asbestos rooftops contrary to Chapter 1 of The National Guidelines on Safe Management and Disposal of Asbestos which describes Asbestos as hazardous material with extremely fine fibers and can remain suspended in air for hours. This is contrary to Chapter 1 of The National Guidelines on Safe Management and Disposal of Asbestos describes Asbestos as hazardous material with extremely fine fibers and can remain suspended in air for hours. If handled without caution, it may cause serious chronic health problems such as asbestosis, lung cancer and mesothelioma. The diseases cause long term serious social, economic and	in Kilifi, Malaba, Thika and Nakuru depots but owing to budget curtailment by the National Treasury the Board has not initiated the process. The Board remains committed to remove all the asbestos roofing material in the network and therefore at every budget process we shall endeavor to secure funds.	Legal Services	Partly resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.0	<p>emotional problems.</p> <p>Health hazard as a result of employees being exposed to asbestos.</p> <p>Obsolete Items</p> <p>An audit inspection of assets and inventories in National Cereals and Produce Board for the financial year 2023/2024 revealed that there are obsolete items within the various depots' premises. Further, in Nakuru Depot it was observed that there were stocks from the third party and for the special program from the government occupying store one since the year 2007. These stocks included 29 cartons of expired oil, 1080 sacks of expired rice and 620 sacks of expired beans. Additionally, in Sagana Depot it was observed that Store Two (2) had packets of 2Kgs of expired maize Kenya</p>	<p>The expired and obsolete stocks/items were noted and arose from delayed distribution to beneficiaries by the respective County and sub-County commissioners. Upon expiry, a communication was done to the State Department for ASALs and Regional development to guide on safe disposal of the expired food stuffs. Follow-up being undertaken to fast track approval for disposal of the unwholesome foodstuffs from the ministry responsible.</p> <p>Letter to PS State Department for ASALs and Regional Development ref: NCPB/9/2/1/VOL.I/23 dated 24th August 2023 attached. (See Annex 21.0(a)).</p> <p>Expired seeds</p>	Gideon Muthuri Ag.General Manager Marketing and Operations	Not resolved	Work in Progress

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Ref No.	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
11.0	<p>seed code 7303 totaling to three thousand, two hundred and eighty Kgs (3280 Kgs). This is contrary to Section 163 of the Public Procurement and Asset Disposal Act, 2015 states that an accounting officer shall establish a disposal committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets.</p> <p>Ineffective utilization of storage space and obsolete items can be a health hazard.</p> <p>Non-Compliance with the Establishment of Board Committees During the year under review, the Board spent a total of Kshs.9,944,815 on Directors' emoluments. However, the following anomalies were noted;</p>	<p>The seeds were supplied to the board for sale on agency and were to be returned by Kenya seed Company after the end of the planting season. The company was informed on the expiry of the seeds vide letter ref: NCPB/NOR/FIN/50/VOL.I/4 dated 12th April 2022. Again, upon delay, the company was again informed vide MD's letter ref: NCPB/2/32/1/VOL.I/62 dated 13th Jan 2023. The company is yet to guide on the disposal of expired seeds.</p> <p>The board members will be notified of the anomalies in their next board meeting so as to correct the same.</p>	Muoka Mwango Manager Technical Services	Not resolved	Work in Progress

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
12.0	<p>i. The Board of Directors had a membership of nine with the Human Resource and Legal Affairs Committee and the Audit Committee members exceeding one third of the full Board membership.</p> <p>ii. Six (6) Board members attended more than two (2) Board committee meetings during the year.</p> <p>iii. One (1) Board member, who was not a member representing The National Treasury or the parent ministry, sat in both the Finance and Audit Committees.</p> <p>iv. During the year under review, the Finance and Procurement Oversight Committee and Human Resource and</p>		Muoka Mwango Manager Technical Services	Not resolved	Work in Progress

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Ref No:	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Legal Affairs Committee held meetings on 14 July, 2022 and 18 July, 2022 respectively which had only two (2) members each in attendance, contrary to Mwongozo code of Governance. The anomalies contravened Section 4 of the Office of the President Circular No. OP/CAB.9/1A of 11 March, 2020 which state that, the number of members to any Committees should not be 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. Further, members can only sit in a maximum of two (2) committees. Any exceptions must secure written approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee (SCAC). In addition, Section 5 of the</p>		Veronicah M Shiundu		

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	<p>circular requires that, except the members representing The National Treasury and parent ministry, a member serving in the Board Audit Committee shall not be appointed member of Finance Committee and vice versa. The constitution of the Audit Committee should strictly comply with The National Treasury circulars.</p> <p>Lack of Gender Diversity on the Board of Directors</p> <p>During the year under review, the Board had two (2) Board of Directors in existence. The previous Board whose term came to an end on 19 April, 2024 had a membership of nine (9) Members out of which two (2) were female. However, the new Board whose term commenced on 20 April, 2024 has a membership of eight (8) Members with only one female Member.</p>	<p>This is well noted.</p> <p>NCPB shall make a follow up with its parent Ministry for regularization.</p>	Ag.Head of Legal Services	Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>This was contrary to Chapter 1 of Mwongozo Code of Governance which states that composition and size of the Board should provide gender diversity, competences, and skills required for the effective leadership of the organization”.</p> <p>In the circumstances, Management was not in compliance with the good governance guidelines.</p> <p>Non-execution of Governance Audit Audit verification indicated that the National Cereals and Produce Board did not subject the board to an annual governance audit as required by the Code of Governance. This contrary to Governance Practice 1.13 (1) of the Mwongozo under Code of Governance stipulates that the board in consultation with the Oversight Office, should ensure</p>	<p>We have not been doing it but undertake to have it done both internally and externally as required.</p>			

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.2	<p>that it subjects the organization to an Annual Governance Audit by a member regulated by the Institute of Certified Public Secretaries of Kenya (ICPSK) and accredited for that purpose. Potentiality of bypassing of systems and or processes by the organization.</p> <p>Incomplete Assets Register</p> <p>The asset register provided for audit revealed a book value of Kshs.17,211,856,499 on all the assets of the Board. However, the Board does not have a comprehensive list of all assets it owns. In addition, the asset register lacks the following information-:</p> <ul style="list-style-type: none"> i. Date of acquisition of the assets, ii. Location of the assets, iii. Custodian of the asset especially, 	<p>The NCPB asset register is currently managed through the Microsoft Dynamics Business Central ERP system within the Asset Register sub-module. This system enables a</p>	<p>Veronicah M Shiundu Ag.Head of Legal Services</p>		

Ref No.	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>laptops, tablets and iPads,</p> <p>iv. ICT equipment have no serial numbers,</p> <p>v. The buildings lacked the building description or title number of the building and,</p> <p>vi. In addition, some asset tags are faded and therefore require re-tagging.</p> <p>Dilapidated Buildings and Stores at the Depots Field verification done in the Kajiado Depot revealed that eleven (11) pit latrines at the staff quarters, one (1) pit latrine behind the conventional store and a powerhouse are in completely dilapidated state and not in use. In addition, the conventional store tagged NCPB 2-KON-A02-003 valued at acquisition cost of Kshs.4,100,000 and built during colonial times has a massive fracture on the wall and was virtually hanging and</p>	<p>comprehensive review of asset data in summary form, with detailed information accessible by drilling down into individual item codes.</p> <p>To enhance our reporting capabilities and provide more detailed asset information, we are in the process of updating the Asset Register to include the specifications. We have successfully completed the updates for the Land Register, which will be provided for your review. Updates for other asset categories, including buildings, motor vehicles, furniture and fittings, and additional fixed asset components, are actively underway. (See Annex 22.0).</p> <p>The management has taken note of the dilapidated buildings,</p>	Veronicah M	Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.1	<p>main doors that could let in birds and other rodents, absence of air cyclones in various stores to regulate the air, some stores had no lightings inside among other repairable needs.</p> <p>Field verification at the Nanyuki depot revealed that stores 001 and 002 were not in good condition. The windows were either cracked or not there at all leaving room for creatures like birds to get into the store and destroy stock. The building had cracks compromising the safety and stability of the store. There were no CCTV cameras at the stores to ensure safety of the goods.</p> <p>In the circumstance, the effectiveness of the controls and assets management could not be confirmed.</p>		u Ag.General Manager Finance and Accounting	Resolved	

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.2	<p>Lack of Documented and Approved Procedures Policy / Manual For Agency Contracts And Agreements Management did not provide checklist, Standard Operations Manual or approved procedures detailing critical requirements that potential partners on agency arrangements should possess, was availed for audit verification thereby casting doubt on the integrity of identification, selection and engagement of agencies. Thus, the authenticity of agency contracts and agreements could not be ascertained. Regulation 165 (1) of the Public Finance Management (National Government), 2015 states that the accounting officer shall ensure that the national government entity develops. Lack of effective internal controls in implementation and management of Agency contracts and Agreements.</p> <p>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</p>	<p>All business partners are engaged in line with the approved NCPB Commercial Policy. The policy document was approved in December 2020.</p> <p>Following some emerging issues in 2023/2024FY, a checklist was developed to evaluate all business partners in May 2024. This checklist was approved by Managing Director.</p> <p>All business partners were henceforth required to submit the following information for purposes of undertaking due diligence</p>	Muoka Mwangi Manager Technical Services	Not resolved	Work in Progress

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Ref No.	Issue / Observations from Auditor	Management comments	Responsible person to resolve the issue (Name and designation)	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>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</p>	<ol style="list-style-type: none"> 1. Certified copies of the Certificate of Incorporation/Business registration certificate. 2. Certified copies of CR12 from the Registrar of Companies (not older than six months) for limited company. 3. Valid Tax compliance certificate from KRA. 4. Single business permit for the official business premises from the relevant County Government. 5. Permit to use standardization mark by KEBS for goods supplied under the agency agreement. 6. Quality Analysis Report from KEBS or any other accredited laboratory for the batch of products currently supplied to NCPB depots. 7. Company Profile with a brief description of annual production estimates, turnover, and key customers. 8. Audited financial statements preferably for the last two (2) years 9. Prototype of the product branding (design, Name, Labels) with full disclosure of information on the quality /content /composition as required to be printed on the package. 10. Bank Account Details including: 			

National Cereals and Produce Board
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Ref No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4		1. Account Name: 2. Bank Name: 3. Account Number: 4. Branch Name: The information submitted is subject to due diligence undertaken by Risk and Compliance department	Veronicah M Shiundu Ag.Head of Legal Services	Not resolved	Work in Progress

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Ref. No.	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Name: Samuel Karogo Ndung'u

Signature:

Accounting Officer

Ag. Managing Director

Date:

5/12/2025

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Appendix II: Projects implemented by (*The Entity*)

Projects

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

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

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					(Yes/No)
1					
2					

Status of Projects completion

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

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

Appendix III: Inter-Entity Transfers

Break down of Transfers from the State Department of Agriculture and Devolution and Planning				
	FY			
	2024/2025			

National Cereals and Produce Board

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Date	Received From	Receipt No.	Amount (KShs)	The purpose and FY to which the amounts relate
	Nil	Nil	Nil	

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

Ag.Chief Accountant, Charles Onchangwa

NCPB

Sign 

Head of Accounting Unit

Ministry of Agriculture

Sign.....

Head of Accounting Unit

Ministry of Devolution and National Planning

Sign.....ⁱ

Appendix IV: Transfers From Other Government Entities

Name of the MDA/Donor	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Direct Payment	Total	Statement of Financial Position	Deferre	Receivable	Others - must be specific	Total Transfers during the Year
Ministry of Planning and Devolution		Recurrent						
Ministry of Planning and Devolution		Development						
USAID		Donor Fund						
Ministry of Planning and Devolution		Direct Payment						
Total								

Appendix V- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 2025								
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30 th June 2025				Total (D)=(A+B+C)	Amount Received by <i>[beneficiary entity]</i> (Kshs) as at 30 th June 2021 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				

Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

NameCharles Onchangwa..... Sign *Charles Onchangwa*.....Date *01/12/2025*

Appendix VI: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

Appendix VII: Disaster Expenditure Reporting Template

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

Appendix VIII: List of bank accounts

NATIONAL CEREALS AND PRODUCE BOARD LIST BANK ACCOUNTS			
ACCOUNT NUMBER	ACCOUNT NAME	BALANCE	BANK NAME
1107165679	Main Bank A/C -Head Office	186,876,323.00	KCB BANK
1107166462	Main Bank A/C-Head Office-GOK	852,303,867.16	KCB BANK
01003003071600	Main Bank A/C-Head Office -NBK	3,937,127.66	NATIONAL BANK
1107077869	Main Bank A/C-H/O-H/Plaza	229,566,268.45	KCB BANK
01136007611600	Main Bank-Co-op Bank (KSHS)	1,194,421.00	CO-OPERATIVE BANK
1107165954	Main Bank A/C-H/O-Fert/Gunny	1,085,380,116.87	KCB BANK
02120007611600	Main Bank A/C CO-OP Bank (Dollar)	6,288,020.36	CO-OPERATIVE BANK
1323727418	Main Bank A/C- H/O Fert -Escrow	1,200,000.00	KCB BANK
1169232779	Main Bank A/C- H/O-KCB DOLLAR	450,422.45	KCB BANK
1100076116002	CALL DEPOSIT ACCOUNT CASH BOOK - CO-OP	1,062,039,615.85	CO-OPERATIVE BANK
1102587826	Main Bank A/C-Nairobi - GCP	233,068.28	KCB BANK
1102589160	Main Bank A/C-Embakasi Silos	562,352.52	KCB BANK
1102276464	Main Bank A/C-Thika	128,444.28	KCB BANK
1107679877	Main Bank A/C-Kajiado	227,658.62	KCB BANK
1103870467	Main Bank A/C-Loitokitok	3,993.80	KCB BANK
1105335437	Main Bank A/C-Makueni	174,269.56	KCB BANK
1107321883	Main Bank A/C-Tala	150,197.08	KCB BANK
1102843490	Main Bank A/C-Kibwezi	895,172.30	KCB BANK
1106429427	Main Bank A/C-Machakos	143,288.51	KCB BANK
1108206360	Main Bank A/C-Kithimani	98,622.90	KCB BANK
1106430662	Main Bank A/C-Emali	130,525.75	KCB BANK
1102087394	Main Bank A/C-Nyahuhuru	200,067.70	KCB BANK
1103664298	Main Bank A/C-Marigat	114,721.26	KCB BANK
1105676641	Main Bank A/C-Eldama Ravine	93,531.62	KCB BANK
1103530305	Main Bank A/C-Kericho	653,621.73	KCB BANK
1108152643	Main Bank A/C-Elburgon	8,759.28	KCB BANK
1102221716	Main Bank A/C-Olkalou	3,513.57	KCB BANK
1101623535	Main Bank A/C-Nakuru	330,747.54	KCB BANK
1101844604	Wheat Bank-Nakuru Wheat	1,803.50	KCB BANK
1101754737	Main Bank A/C-Subukia	410,792.10	KCB BANK
1101844469	Main Bank A/C-Solai	370,573.33	KCB BANK
1103530674	Main Bank A/C-Kipkelion	260,729.08	KCB BANK
1105827909	Main Bank A/C-Bomet	848,227.21	KCB BANK
1108426786	Main Bank A/C-Sotik	3,715.26	KCB BANK
1104064057	Main Bank A/C-Fort Ternan	231,876.08	KCB BANK
1102020923	Main Bank A/C-Narok	342,677.58	KCB BANK
1103666940	Main Bank A/C-Kabarnet	802,918.41	KCB BANK

NATIONAL CEREALS AND PRODUCE BOARD LIST BANK ACCOUNTS			
ACCOUNT NUMBER	ACCOUNT NAME	BALANCE	BANK NAME
1101922141	Main Bank A/C-Kilgoris	52,930.93	KCB BANK
1104252333	Main Bank A/C-Naivasha	317,947.50	KCB BANK
1104413493	Main Bank A/C-Maralal	10,835.20	KCB BANK
1103640283	Main Bank A/C-Kedowa	73,718.85	KCB BANK
1105827585	Main Bank A/C-Mulot	178,465.67	KCB BANK
0090100000042	Main Bank A/C-Olenguruone	84,531.40	ACCESS BANK
1105200353	Main Bank A/C-Ziwa	84,770.38	KCB BANK
1105199711	Main Bank A/C-Moi's Bridge	31,510.02	KCB BANK
1108117074	Main Bank A/C-Turbo	294,339.05	KCB BANK
1105195414	Main Bank A/C-Kitale	514,556.84	KCB BANK
1108116639	Main Bank A/C-Eldoret	97,775.69	KCB BANK
1108117228	Wheat Bank-Eldoret Silos	62,995.70	KCB BANK
1102085634	Main Bank A/C-Mosoriot	541,770.78	KCB BANK
1106818385	Main Bank A/C-Miteitei	28,834.69	KCB BANK
1107590795	Main Bank A/C-Lodwar	79,132.35	KCB BANK
1106261461	Main Bank A/C-Kapenguria	29,153.05	KCB BANK
1102084468	Main Bank A/C-Lessos	1,381,506.27	KCB BANK
1102495158	Main Bank A/C-Kipkarren Salient	315,648.20	KCB BANK
1107188113	Main Bank A/C-Webuye	3,367.61	KCB BANK
1105186113	Main Bank A/C-Butere	173,884.19	KCB BANK
1102081531	Main Bank A/C-Malaba	70,735.60	KCB BANK
1106234847	Main Bank A/C-Bungoma	145,795.27	KCB BANK
1101838914	Main Bank A/C-Chavakali	498,829.60	KCB BANK
1108116353	Main Bank A/C-Kapsokwony	113,014.64	KCB BANK
1107197465	Main Bank A/C-Kipk.River	1,420,921.57	KCB BANK
1107188229	Main Bank A/C-Lugari	130,253.82	KCB BANK
1101838051	Main Bank A/C-Hamisi	109,844.53	KCB BANK
1101837284	Main Bank A/C-Kakamega	16,359.22	KCB BANK
1101825022	Main Bank A/C-Homa Bay	2,576,531.71	KCB BANK
1106384334	Main Bank A/C-Kehanacha	118,486.34	KCB BANK
1106388798	Main Bank A/C-Ntimaru	105,016.80	KCB BANK
1106262530	Main Bank A/C-Migori	713,129.64	KCB BANK
1106915674	Main Bank A/C-Bondo	62,092.53	KCB BANK
1106364422	Main Bank A/C-Awendo	101,892.87	KCB BANK
1104026694	Main Bank A/C-Kisumu	700,207.93	KCB BANK
1104024977	Main Bank A/C-Yala	56,373.73	KCB BANK
1101824859	Main Bank A/C-Kendu Bay	117,202.21	KCB BANK
1101921978	Main Bank A/C-Kisii	47,608.52	KCB BANK
1104063263	Main Bank A/C-Muhoroni	52,420.51	KCB BANK
1108426654	Main Bank A/C-Nyansiongo	77,054.81	KCB BANK
1107247519	Main Bank A/C-Sagana	2,918,958.96	KCB BANK

NATIONAL CEREALS AND PRODUCE BOARD LIST BANK ACCOUNTS			
ACCOUNT NUMBER	ACCOUNT NAME	BALANCE	BANK NAME
1101995882	Main Bank A/C-Kiganjo	152,036.85	KCB BANK
1103977628	Main Bank Account-Mwea	6,299,316.20	KCB BANK
1103170457	Main Bank A/C-Nanyuki	121,797.30	KCB BANK
1103982826	Main Bank A/C-Mandera	35,294.25	KCB BANK
1108088627	Main Bank A/C-Garissa	47,840.12	KCB BANK
1105192350	Main Bank A/C-Wajir	102,046.77	KCB BANK
10111200000306	Main Bank A/C-Isiolo	144,630.44	CONSOLIDATED BANK
1102872695	Main Bank A/C-Embu	45,014.55	KCB BANK
1106053885	Main Bank A/C-Kitui	50,290.09	KCB BANK
1104156334	Main Bank A/C-Meru	268,677.89	KCB BANK
1103061321	Main Bank A/C-Mwingi	129,408.80	KCB BANK
1102655783	Main Bank A/C-Marsabit	35,353.20	KCB BANK
10101200000129	Main Bank A/C-Maua	77,751.10	CONSOLIDATED BANK
1104816407	Main Bank A/C-Mokowe	88,469.08	KCB BANK
1107638240	Main Bank A/C- Mombasa	244,009.44	KCB BANK
1108156509	Main Bank A/C-Voi	5,578,803.87	KCB BANK
1102290599	Main Bank A/C-Kilifi	6,525.47	KCB BANK
1108595693	Main Bank A/C-Kwale	28,305.58	KCB BANK
1104605848	Main Bank A/C-Hola	118,399.79	KCB BANK
1101754389	SMPA Bank-Nakuru	6,305.32	KCB BANK
1109123574	SMPA Bank-Moi's Bridge	112,123.70	KCB BANK
1105196011	SMPA Bank-Kitale	1,256,822.99	KCB BANK
1108116876	SMPA Bank-Eldoret Silos	17,844,579.71	KCB BANK
1107196299	SMPA Bank-Webuye	10,531.00	KCB BANK
1107196191	SMPA Bank-Lugari	19,010.74	KCB BANK

Ag. Chief Accountant, Charles Onchangwa

Name Charles Onchangwa Sign [Signature] Date 31/12/2025