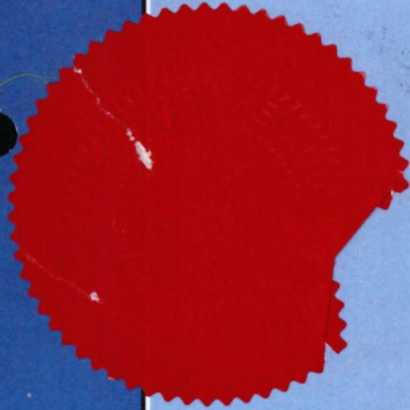



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**WAREHOUSE RECEIPT SYSTEM COUNCIL**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

OFFICE OF THE AUDITOR GENERAL  
P.O. Box 30084 - 00100, NAIROBI  
REGISTRY

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**WAREHOUSE  
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**WAREHOUSE RECEIPT SYSTEM COUNCIL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30<sup>TH</sup> JUNE, 2024**

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

**Warehouse Receipt System Council  
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For the period ended 30<sup>th</sup> June, 2024.**

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**Warehouse Receipt System Council  
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For the period ended 30<sup>th</sup> June, 2024.**

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**1. Acronyms, Abbreviations and Glossary of Terms**

**A: Acronyms and Abbreviations**

AGRA	Alliance for Green Revolution in Africa
AFA	Agriculture and Food Authority
AfriExim	African Export & Import Bank
CEO	Chief Executive Officer
CoS & HoPS	Chief of Staff and Head of Public Service
EAGC	East Africa Grain Council
ICPAK	Institute of Certified Public Accountants of Kenya
IFC	International Finance Corporation
IPSAS	International Public Sector Accounting Standards
JDAC	Job Description and Analysis Committee
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SDT	State Department of Trade
TNT	The National Treasury
TMA	Trade Mark Africa
ToRs	Terms of Reference
WRS	Warehouse Receipt System
WRSC	Warehouse Receipt System Council

**B: Glossary of Terms**

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

**Comparative period-** Means the same period in prior FY.

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**2. Key Entity Information and Management**

**(a) Background information**

The **Warehouse Receipt System Council** was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019. At Cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Investment, Trade and Industry, following the executive order No. 1 of 2023, who is responsible for the general policy and strategic direction of WRSC

**(b) Principal Activities**

The principal mandate of the Council is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

**Vision** - A Transformed and structured agricultural commodity trade

**Mission** - To establish, develop and maintain a premier Warehouse Receipt System for Agricultural Commodities

**(c) Key Management**

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

No.	Designation	Name
1.	Board of Directors/ Council	Felicity N. Biriri – Chairperson Benson Loktari Christine Mwai-Marandu Dr. Joel Tenai Director General - AFA Alphardax Kyalo Eng. Kennedy Makudih Michael Muturi
2.	Chief Executive Officer/Registrar	Lucy Komen
3.	Management	Leonard Mwashuma Gilbert Nyakundi Jacqueline Odundo Cecilia Muthoni Joel Osodo Allan Agoi Clara Kangogo Fredrick Okoth

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**(d) Fiduciary Management**

The key management personnel who held office during the year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

	<b>Designation</b>	<b>Name</b>
1.	Ag. Chief Executive Officer/Registrar	Lucy Komen
2.	OIC- Compliance and Quality Assurance	Leonard Mwashuma
3.	OIC- ICT and Corporate Communication	Gilbert Nyakundi
4.	OIC- Corporation Secretary & Legal Services	Jacqueline Odundo
5.	OIC- Finance & Accounts, Warehouse Receipt Financing	Cecilia Muthoni
6.	OIC- Supply Chain Management, Planning & Strategy	Joel Osodo
7.	OIC- Human Resource & Administration	Allan Agoi
8.	OIC- Internal Audit	Clara Kangogo
9.	Ag. OIC- Investment Promotions and Partnerships	Fredrick Okoth

**(e) Fiduciary Oversight Arrangements**

The Council has four (4 No.) fiduciary oversight committees as follows:

**i. Audit & Risk Committee**

The Audit & Risk Committee's responsibilities is guided by Section 175 of the PFM Regulations, 2015 and include; the support to the CEO with regard to the issues of Risk Management, Internal Control and Corporate Governance and associated assurance. Additionally, the Committee follows up on the implementation of the recommendations of Internal and External auditors. The Committee comprise the following Council Members:

- 1) Dr. Joel Tenai – Representative of EAGC
- 2) Alphaxard Kyalo - Alternate Director representing PS National Treasury
- 3) Dr. Bruno Linyiru -Director General Agriculture and Food Authority

**ii. Finance, Strategy Committee**

The Committee provides guidance on the financial and strategic management of the Warehouse Receipt System Council. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Council's financial management, human resources strategy/ policies, strategic policies and strategy documents. The Committee comprise the following Council members:

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- 1) Christine Mwai- Marandu – Representative of Kenya Bankers Association
- 2) Alphaxard Kyalo - Alternate Director representing PS National Treasury
- 3) Benson Loktari – Representative of Council of Governors

**iii. Human Resource & Governance Committee**

The Committee provides guidance on the human resources management and governance of the Warehouse Receipt System Council. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the Council's governance and human resources strategy and policies. The Committee comprise the following Council members:

- 1) Benson Loktari – Representative of Council of Governors
- 2) Dr. Bruno Linyiru -Director General Agriculture and Food Authority
- 3) Eng. Kennedy Makudiuh – Alternate Director representing PS Agriculture

**iv. WRS Operations & Compliance Committee**

The Committee provides guidance on the establishment and operationalization of the Warehouse Receipt System. Its primary responsibility includes reviewing, monitoring and making recommendations to the Board of Directors on the establishment, operationalization of the WRS and Central Registry, certification and licensing of WRS value chain actors The Committee comprise the following Council members:

- 1) Eng. Kennedy Makudiuh – Alternate Director representing PS Agriculture
- 2) Dr. Joel Tenai – Representative of EAGC
- 3) Christine Mwai- Marandu – Representative of Kenya Bankers Association

**(f) Entity Headquarters**

P.O. Box 22757-00505  
Tea House,  
Naivasha Rd, off Ngong Rd,  
Nairobi.

**(g) Entity Contacts**

Telephone: **(+254) 700368368**  
E-mail: [info@wrsc.go.ke](mailto:info@wrsc.go.ke)  
Website: [www.wrsc.go.ke](http://www.wrsc.go.ke)

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**(h) Entity Bankers**

National Bank of Kenya  
Ngong Road Branch  
P.O. Box 21922-00505  
Nairobi, Kenya

**(i) Independent Auditors**

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

**(j) Principal Legal Advisor**

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

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**3. The Board of Directors/Council**

	Directors	Details
1.	<p><b>Felicity N. Biriri – Chairperson</b></p>  <p>A good governance and productivity improvement champion, a believer of peaceful coexistence and prosperity for all.</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Governance and Leadership PhD candidate</li> <li>• MA, Peace Management and Conflict Resolution</li> <li>• BA, Human Resources Management</li> <li>• Certified mediator.</li> <li>• Effective Director program from Strathmore University</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Alumnae of the US State Fortune 500 mentorship program.</li> <li>• University Council Member at Meru University of Science and Technology for three years.</li> <li>• Member of the National Environmental Complaints Committee (Environment Ombudsman)</li> <li>• Board member at Geothermal Development Company for two years.</li> <li>• Board Member at Kenya Pipeline Company (KPC) for six years.</li> <li>• Chairperson of the Board of Trustees at the KPC Pension Scheme for six years.</li> <li>• Trustee of the KEPSA Foundation</li> <li>• Chairman, Meru County Investment and Development Corporation for five years</li> <li>• Council member, Moi University for seven years.</li> </ul>
2.	<p><b>Eng. Kennedy Makudih</b></p>  <p>Alternate Director to PS responsible for Agriculture</p>	<p><b>Qualification</b></p> <ul style="list-style-type: none"> <li>• MSc in Environmental and Biosystems Engineering from the University of Nairobi</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Senior Principal Superintending Engineer MOA&amp;LD– State Department for Agriculture, Agricultural Engineering Services Directorate</li> <li>• Currently the National Project Coordinator for Small-scale Irrigation and Value Addition Project (SIVAP) and Drought Resilience and Sustainable Livelihoods Programme (DRSLP) – Kenya.</li> <li>• Active member of several relevant Professional bodies both local and international.</li> </ul>

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<p>3.</p>	<p><b>Benson L. Ngoriakou</b></p>  <p>Representative of Council of Governors</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Laws (LL. B Hons) from the University of Nairobi</li> <li>• Postgraduate Diploma in Law from the Kenya School of Law</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Legal Officer at the Council of Governors Secretariat.</li> <li>• 5 years' regulatory compliance and governance expert involved in implementation of the Constitution especially devolution, human rights and public finance management.</li> <li>• Served in various Government agriculture committees including the Committee on the development of the Agricultural Sector Transformation and Growth Strategy (ASTGS) 2019-2029.</li> <li>• Member of several relevant Professional bodies.</li> </ul>
<p>4.</p>	<p><b>Christine Mwai-Marandu</b></p>  <p>Representative of Kenya Bankers Association</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• MBA from Cranfield School of Management in the UK.</li> <li>• Associate of Chartered Institute of Bankers (ACIB) qualification and certified Executive Coach</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Country Credit Director at Absa Bank Kenya PLC overseeing credit lending process for Retail and Business Banking, Corporate &amp; Investment Bank and Markets (Foreign Exchange Sales and Trading).</li> <li>• 28 years' experience working for Barclays Bank in both Retail and Corporate banking environments in UK, South Africa and Tanzania in senior leadership roles.</li> <li>• Member of the Barclays Kenya Country Management Committee and the Board Credit Committee.</li> </ul>
<p>5.</p>	<p><b>Dr. Joel Tenai</b></p>  <p>Representative of Eastern Africa Grain Council (EAGC)</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• PhD in Business Management (Finance)</li> <li>• M. COM (Accounting and Taxation}</li> <li>• B. COM (Accounting and Statistics)</li> </ul> <p><b>Experience</b></p> <p>- Experience</p> <ul style="list-style-type: none"> <li>• Member, Board of Directors, Eastern Africa Grain Council, served in Finance and Strategy Committee</li> <li>• Chairman, Mateeny Soy Farmers' Co-operative Society Limited, Uasin Gishu County;</li> <li>• Member, Project Steering Committee for Enterprise Resource Planning (ERP) Software, Moi University;</li> <li>• Dean, School of Business and Economics, Moi University;</li> <li>• Director, Nakuru Campus, Moi University</li> <li>• Head, Department of Accounting &amp; Finance, School of Business and Economics, Moi University;</li> </ul>

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		<ul style="list-style-type: none"> <li>• External Examiner, Graduate School and School of Business, University of Nairobi;</li> <li>• Senate Representative for School of Business and Economics, Moi University served in Finance, Planning and Development Committee.</li> <li>• Chairman, Budget Committee, School of Business &amp; Economics Moi University;</li> <li>• Member, PTA Executive Committee, Kapsabet Boys High School, Kapsabet, Nandi County;</li> <li>• Chairman, Board of Management, Kipsangui Boys High School, Eldoret, Uasin Gishu County;</li> <li>• Member, Eastern Finance Association, USA; Kenya Institute of Management, Kenya</li> </ul>
6.	<p><b>Alphaxard Kyalo</b></p>  <p>Alternate Director to PS National Treasury</p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Masters of Science (Computer based information Systems), Strathmore University, 2012</li> <li>• Bachelor of Science, Kenyatta University, 1997</li> <li>• Diploma, Institute of Management of Information Systems (UK)</li> <li>• Strategic Leadership Development Program- Kenya School of Government</li> <li>• Project Management professional</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Director IFMIS, The National Treasury</li> <li>• Implement various public financial reforms</li> <li>• Head of ICT Unit- Ministry of Lands &amp; Physical Planning</li> <li>• Implemented Ardhisasa platforms</li> <li>• Project Manager, Ministry of ICT</li> <li>• Implementation of Fibre Optic Kenol-Marua Road</li> </ul>
7.	<p><b>Dr. Bruno Linyiru</b></p> <p>Director General, Agriculture and Food Authority (AFA)</p>	
8.	<p><b>Lucy Komen</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Master of Business Administration, Strategic Management (Egerton)</li> <li>• Bachelor of Business Administration, Marketing</li> <li>• Diploma in Information Technology</li> <li>• Member of the Marketing Society of Kenya (MSK)</li> <li>• Leadership Promotion for Senior Level Executives of State-owned Enterprises for Developing Countries 2018 Course at Hunan International Business Vocational College, China.</li> </ul>

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	<p>Ag. Chief Executive Officer</p>	<ul style="list-style-type: none"> <li>• International course on Making Agriculture Work for food and nutrition security by WCDI, Wageningen, the Netherlands.</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Served as Ag. Manager Investment Promotion and Partnerships WRSC</li> <li>• Previously Manager Product Development &amp; Marketing, Pyrethrum Processing Company of Kenya</li> <li>• Over 27 years wide experience in working with, Government, Private sector and Industry organizations both locally and internationally.</li> <li>• Good Knowledge of Government’s Policies for the Agricultural sector as articulated in Kenya Vision 2030 and the Agriculture Sector Transformation and Growth Strategy (ASTGS)</li> </ul>
9.	<p><b>Ms. Jacqueline Odundo</b></p>  <p><b>OIC- Legal Services</b></p>	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Master of Law (LLM) Food Law (Luiss Guardi Carli University)</li> <li>• MCIArb Chartered Institute of Arbitrators, Kenya</li> <li>• Post Graduate Diploma Kenya School of Law</li> <li>• Master of Arts International Relations, (University of Warwick)</li> <li>• Bachelor of Laws (LLB, Hons),</li> </ul>

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**4. Management Team**

No	Name	Designation
1.	<p><b>Ms. Lucy Komen</b></p>  <ul style="list-style-type: none"> <li>• Master of Business Administration, Strategic Management (Egerton)</li> <li>• Bachelors of Business Administration, Marketing</li> <li>• Diploma in Information Technology</li> <li>• Certifications from Kenya School of Government – SMC and SLDP</li> <li>• Member of the Marketing Society of Kenya (MSK)</li> </ul>	<p><b>Ag. Chief Executive Officer /Registrar</b></p> <ul style="list-style-type: none"> <li>• Responsible for the day to day management of the activities of the Council</li> <li>• Oversee the formulation, implementation and review of warehouse receipts systems, policies, strategies, procedures, standards and to ensure the efficiency, effectiveness and integrity of the WRS Act.</li> </ul>
2.	<p><b>Ms. Jacqueline Odundo</b></p>  <ul style="list-style-type: none"> <li>• Master of Law (LLM) Food Law (Luiss Guardi Carli University)</li> <li>• MCIArb Chartered Institute of Arbitrators, Kenya</li> <li>• Post Graduate Diploma Kenya School of Law</li> <li>• Master of Arts International Relations, (University of Warwick)</li> <li>• Bachelor of Laws (LLB, Hons),</li> <li>• Member Law Society of Kenya</li> </ul>	<p><b>Officer in Charge of Legal Services</b></p> <p>Responsible for corporate secretarial services, corporate governance, legal matters and compliance with legal and regulatory requirements and certification of warehouse operators.</p>

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<p>3 <b>Joel Osodo</b></p>  <ul style="list-style-type: none"> <li>• Master of Science in Procurement &amp; Logistics(JKUAT)</li> <li>• Post Graduate Diploma, Procurement&amp; Logistics (JKUAT)</li> <li>• Bachelor of Commerce (Finance and Banking) (Egerton University)</li> <li>• M.K.I.S.M.</li> </ul>	<p><b>Officer in Charge of Supply Chain Management</b></p> <ul style="list-style-type: none"> <li>• Responsible for overseeing and coordinating Supply Chain Management and providing professional procurement advice to the Council.</li> </ul>
<p>4 <b>Ms. Clara Kangogo</b></p>  <ul style="list-style-type: none"> <li>• Master of Business Administration in Finance- (Kenyatta University)</li> <li>• Bachelor of Commerce (BCom) in Finance</li> <li>• Certified Public Accountant of Kenya (CPA-K)</li> <li>• Member, Institute of Certified Public Accountants</li> <li>• Member of Institute of Internal Auditors</li> </ul>	<p><b>Officer in Charge of Internal Audit</b></p> <p>Responsible for continuous improvement of governance, transparency, accountability and integrity in Council resource management.</p>
<p>5 <b>Allan Agoi</b></p>  <ul style="list-style-type: none"> <li>• Certified Human Resource Professional (CHRP-K)</li> <li>• Member of the Institute of Human Resource Professionals-Kenya</li> <li>• BSc. Human Resource Management</li> </ul>	<p><b>Officer in Charge of Human Resource &amp; Administration</b></p> <p>Responsible for attracting, motivating and retaining competent, talented and adequate human resources, and facilitate them adequately to meet the objectives of the Council.</p>

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6	<p><b>Ms. Cecilia Muthoni</b></p>  <ul style="list-style-type: none"> <li>• Certified Public Accountant of Kenya (CPA-K)</li> <li>• Bachelor of Business Administration and Management (Accounting).</li> <li>• Member, Institute of Certified Public Accountants of Kenya (ICPAK)</li> </ul>	<p><b>Officer in Charge of Finance and Accounts</b></p> <ul style="list-style-type: none"> <li>• Responsible for financial reporting, accounting and coordinating financial management systems.</li> <li>• Overseeing warehouse receipt financing</li> </ul>
7	<p><b>Gilbert Nyakundi</b></p>  <ul style="list-style-type: none"> <li>• BSc. Information Sciences (Moi University)</li> <li>• Member: ISACA</li> </ul>	<p><b>Officer in Charge of ICT &amp; Central Registry</b></p> <ul style="list-style-type: none"> <li>• Responsible for institutional website, database and to improve information systems for efficiency of the Council's operations.</li> <li>• Implementation of the e-WRS and Central Registry.</li> </ul>
8	<p><b>Leonard Mwashuma</b></p>  <ul style="list-style-type: none"> <li>• Bachelor of Science in Food Science and Technology.</li> <li>• Certification in ISO 22000, ISO/IEC17020, ISO 9001, SA 8002.</li> </ul>	<p><b>Officer in Charge of Certification and Compliance</b></p> <ul style="list-style-type: none"> <li>• Responsible for enforcement of commodity standards, quantity and quality assurance for the warehouse receipts system.</li> <li>• Carryout inspections and examine all warehouses operators and collateral managers operating under the Act.</li> </ul>
9	<p><b>Fredrick Okoth</b></p>  <ul style="list-style-type: none"> <li>• Bachelor's degree in Agricultural Economics and Resource Management</li> </ul>	<p><b>Ag. Officer in Charge – Investments Partnerships and Promotions</b></p> <p>Responsible for promoting infrastructural investment into WRS, partnerships management and resource mobilization to support WRS activities.</p>

## **5. Chairpersons statement**

The Warehouse Receipt System Council (WRSC), established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019, is now in its fourth year of operation. Building upon the momentum and foundation laid in the initial years, the Council has continued to roll out various activities, including sensitization and training on the Warehouse Receipt System (WRS) and strengthening both existing and new partnerships to enhance the system's implementation.

During the 2023/24 financial year, the Council achieved several key milestones. Notably, we certified seven (7) warehouse operators significantly expanding the network of stakeholders participating in the WRS. We also finalized the Council's five-year Strategic Plan for 2023-2027, which will serve as a dynamic roadmap to help us fulfil our vision and mission while adapting to the evolving needs of the agricultural sector.

Despite these accomplishments, the Council continues to face challenges, including inadequate quality warehouses (both private and public) and limited uptake of the WRS concept by the private sector. Nevertheless, I am optimistic that through the partnerships and collaborations we have established with development partners, public and private sector players and cooperatives, we have created an enabling environment that will enhance stakeholder participation in the WRS. Moving forward, we remain committed to overcoming the existing challenges and advancing the implementation of WRS across Kenya. It should be noted however, that the support of the National Treasury through funding of the Council's approved organization structure is critical to the implementation of the Council's mandate and support of this nascent institution.

I look forward to continued progress in the coming year, with the support of both the national, and county governments, private sector, civil and development partners to realize the full potential of the Warehouse Receipt System in transforming the agricultural sector.



**Felicity Nkirote Biriri**  
**Chairperson**

## **6. Report of the Chief Executive Officer**

I am pleased to present the Warehouse Receipt System Council Fourth Annual Report and Financial Statements for the year ending 30th June 2024. This year has been key in advancing our mission to structure commodity trading in Kenya through the Warehouse Receipt System (WRS), a vital tool that supports food security by improving commodity market access, contributing to post-harvest loss reduction, enhancing storage and commodity standards, and increasing farmers' access to financing (promoting financial inclusivity) under the Bottom- Up Economic Transformation Agenda pillar.

To define the vision of the Council, we finalized development of the Strategic Plan 2024-2027 this financial year. The same is ready for launching in the first quarter and the year one of the strategic plan has been incorporated in the performance contract of FY2024/25. A significant part of this year was the considerable progress made in developing and operationalizing the Central Registry and the electronic Warehouse Receipt System, through business processing reengineering of the processes, developing requirements of the central registry and terms of reference for a suitable vendor.

The Council with the support of Trademark Africa will develop own central registry in FY2024/25. We also certified seven (7) warehouse operators with the capacity to issue warehouse receipts and conducted sensitization and awareness programs reaching a total of 2,348 stakeholders (farmers, cooperatives, county officials, and traders) across 15 counties. Additionally, the warehouse receipt financing manual was validated by financial institutions that have continued to express interest in participating, with an objective to develop suitable WR financing products that will enhance access to affordable credit financing.

While we have made considerable strides, there have been challenges, the Council continues to face challenges in implementing its mandate due to limited funding from the Government, since its inception the approved structure has not been financed by the exchequer, the Council has therefore been utilizing development funds geared towards the implementation of the WRS Act 2019 and a minimal recurrent grant from the exchequer which has constrained our ability to fully

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undertake our operations. Therefore, there is a pressing need for additional funding to implement the approved Human Resource Instruments as implementation of the warehouse receipt system has a great potential to the people of Kenya, and if supported shall be sustainable in 3 years through proceeds from licensing and warehouse receipt transaction fees.



**Lucy Komen**  
**Ag. Chief Executive Officer/Registrar**

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**7. Statement of Performance against Predetermined Objectives for  
FY 2023/24**

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.

The Warehouse Receipt System Council has strategic pillars/ themes/issues and objectives. The Council also developed its first strategic plan within the said period, and therefore the objectives implemented were captured under the Financial year 2023/24 Performance Contract as follows:

1. Reduce post-harvest losses through Warehousing support;
2. Develop and Operationalize the Central registry and the electronic Warehouse Receipt System;
3. Product Mainstreaming;
4. Finalize the Development WRSC 5- year (2023-2027) Strategic plan
5. Creating partnership linkages and collaborations; and
6. Carrying out awareness and sensitization programs.

The Council develops its annual work plans based on the above strategic objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2023/24 period for its five strategic pillars, as indicated in the diagram below:

<b>c</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>	
1.	Reduce post-harvest losses through Warehousing support	Onboard six (6) warehouse operators	List of onboarded warehouse operators	Conduct Inspections for new warehouses for Certification -Inspect the potential warehouse operators	7 warehouse operators were certified in Nakuru, Trans Nzoia, Uasin Gishu, Nakuru, Kisumu, Kirinyaga and Mombasa Counties
2.	Develop and Operationalize the Central Registry and the electronic Warehouse Receipt System	To Support the implementation of the development of the holistic Central Registry business processes	-Terms of Reference (TOR) -Business Requirement document -Business process reengineering report -ICT capacity assessment & integration needs analysis report	-Develop the initial documentation to inform the development of the Central Registry -Reengineer the existing CR business processes -Conduct ICT capacity assessment and integration needs analysis to inform requirements for the	-Developed Terms of Reference (TOR) -Business requirement document -Business Process Reengineering BPR Report -ICT capacity assessment & integration

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			Central Registry development	needs analysis report
3. Product Mainstreaming	To Manage and improve productivity	-Productivity Index report	-Develop Productivity metrics, -Collect data and Compute productivity index	-Productivity management framework and metrics developed by trained committee - Data submitted to NPCC for computation of productivity index
4. WRSC 5-year Strategic plan developed	To align SP with Kenya Vision 2030 and BETA	SP realignment report Finalized SP	-Realignment of SP according to the fifth generation of SP	-Realigned SP according to the fifth Generation of Strategic Plan - Ready for launch
5. Create partnership linkages and collaboration	-To enter into 3 partnership agreements	- Number of partners identified -Number of signed MOUs/partnership agreements	-Identify partners and areas of collaboration -Enter into partnership agreements	-Signed 1 agreement with Corps Africa.
6. Carry out awareness and sensitization programs	To increase awareness on WRS to value chain actors and stakeholders	Number of counties sensitized on WRS	Conduct sensitization and awareness programs to various value chain actors in various counties.	Conducted sensitization and awareness to a total 2348 stakeholders (farmers /cooperatives, county officials and traders) in 15 counties; (Trans-Nzoia, Uasin Gishu, Meru, Embu, Nakuru, Kakamega, Bungoma, Marsabit, Laikipia, Kiambu, Mombasa, Kwale, Kilifi, Kirinyaga and Nyandarua) -Conducted Media campaigns in four (4) Counties (Trans Nzoia, Meru, Nairobi and Nyandarua).

## **8. Corporate Governance Statement**

### **a. Council Meetings Held**

The Council has held four Full Council meetings in the FY2023/2024 inclusive of Committee meetings for Finance & Strategy, Operations & Compliance, Human Resource and Governance and Audit & Risk Committees. All Council members have been in attendance. A Board Charter and whistle blowing policy have been developed and approved by the Council. However, the succession plan is yet to be developed.

### **b. Appointment of Chairperson and Members of the Council**

#### **i) Chairperson**

The Chairperson of the Council is appointed by H.E. the President of the Republic of Kenya. **Mrs. Felicity Nkirote Biriri** was appointed vide Gazette Notice No 8467 dated 29<sup>th</sup> June 2023 for three years starting from 30<sup>th</sup> June, 2023 and whose term will expire on 29<sup>th</sup> June 2026.

#### **ii) Members of the Council**

The Members of the Council were appointed by the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries & Cooperatives as per the Warehouse Receipt System Act No. 8 of 2019, as follows:

- 1. Representative of the Council of Governors:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Benson Loktari Ngoriakou** was appointed vide gazette notice Vol. CXXVI- No. 32 dated 15<sup>th</sup> March 2024 for three years starting from 15<sup>th</sup> March 2024 in line with provisions of Section 3 (3) (d) of the WRS Act and whose term will expire on 15<sup>th</sup> March 2027;
- 2. Representative of Eastern African Grain Council:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Dr. Joel Tenai (PhD)** was appointed vide gazette notice Vol. CXXVI- No. 32 dated 15<sup>th</sup> March 2024 for three years starting from 15<sup>th</sup> March 2024 in line with the provisions of Section 3(3) (h) of the WRS Act and whose term expired on 15<sup>th</sup> March 2027;
- 3. Representative of the Kenya Bankers Association:** The member is nominated by the institution and thereafter gazetted by the Cabinet Secretary. **Christine Mwai-Marandu** was appointed vide gazette notice Vol. CXXVI- No. 32 dated 15<sup>th</sup> March 2024 for three years starting from

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15<sup>th</sup> March 2024 in line with the provisions of Section 3(3) of the WRS Act and whose term expired on 15<sup>th</sup> March 2027;

4. **Director General Agriculture and Food Authority (AFA):** The member is appointed in line with Section 3(3) (b) of the WRS Act. **Dr. Bruno Linyiru** was appointed as Director General AFA via letter dated 15<sup>th</sup> April 2024 Ref: AFA/HRM/52/Vol. IV/(58).
5. **Representative of the PS responsible for Agriculture:** Member is appointed by the Principal Secretary. **Eng. Kennedy Makudiuh** was appointed as a representative of the PS responsible for Agriculture vide appointment letter dated 18<sup>th</sup> December 2019 ref: MOA/B.1/1A/Vol.11/246.
6. **Representative of the PS Responsible for National Treasury:** Member is appointed by the Principal Secretary. **Alphaxard kyalo** was appointed vide appointment letter.
7. **Representative of the Inspector General (Corporations):** Member is appointed in line with Section 18(2) of the State Corporations Act Cap 446. **Michael Muturi Macharia** was vide appointment letter dated 9<sup>th</sup> June 2021 Ref: ISC/INS/POL/345/Vol.1.

**c. Roles and Functions of the Board**

- 1) Exercise their role collectively and not individually.
- 2) Determine the organization's mission, vision, purpose and core values.
- 3) Set and oversee the overall strategy and approve significant policies of the organization.
- 4) Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders.
- 5) Ensure that the strategy of the organization is aligned to the long term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
- 6) Approve the organizational structure.
- 7) Approve the annual budget of the organization.
- 8) Monitor the organization's performance and ensure sustainability.

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- 9) Enhance the corporate image of the organization.
- 10) Ensure availability of adequate resources for the achievement of the organization's objectives.
- 11) Hire the CEO, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- 12) Ensure effective communication with stakeholders.

**d. Board Committee Membership**

The Council has constituted four committees in line with the provisions contained in Mwongozo Code of Governance whose membership is as follows:

<b>Name of the Committee</b>	<b>Members</b>
<b>Finance and Strategy Committee</b>	<ol style="list-style-type: none"> <li>1. Ms. Christine Mwai Marandu</li> <li>2. Benson Loktari</li> <li>3. Alphaxard Kyalo</li> </ol>
<b>Human Resource &amp; Governance Committee</b>	<ol style="list-style-type: none"> <li>1. Eng. Kennedy Makudiuh</li> <li>2. Benson Loktari</li> <li>3. Dr. Bruno Linyiru</li> </ol>
<b>Audit &amp; Risk Committee</b>	<ol style="list-style-type: none"> <li>1. Dr. Joel Tenai</li> <li>2. Alphaxard Kyalo</li> <li>3. Dr. Bruno Linyiru</li> <li>4. Michael Muturi</li> </ol>
<b>Operations &amp; Compliance</b>	<ol style="list-style-type: none"> <li>1. Eng. Kennedy Makudiuh</li> <li>2. Ms. Christine Mwai Marandu</li> <li>3. Dr. Joel Tenai</li> </ol>

**e. Board Induction, Training and Development**

The Chairperson attended the 6th Cohort Board Induction Workshop for Mwongozo for Board Members by SCAC in partnership with the institute of Certified Secretaries in January 2023. The rest of the Directors are yet to be inducted as the council awaits appointment of two Directors representing Farmers and Warehouse Operators Respectively. The Audit and Risk committee attended a workshop facilitated by the Public Sector Accountants Standards Board (PSASB) from 6th to 9th May 2024 to enhance the committee's capacity in delivering its mandate.

**f. Board and Member Performance**

The Council has had 4No. meetings including committee meetings and a retreat to review the draft Strategic Plan attended by all members. All members have been in attendance in the Council deliberations and in giving policy directives governing the Council.

**g. Conflict of Interest**

No conflict of interest was expressed by members during the Council meetings.

**h. Board Remuneration**

Council members are remunerated in line with the provisions of Section 8 of the WRS Act and the existing government circulars on board remuneration.

**9. Management Discussion and Analysis**

The Council's mandate is to develop and regulate a Warehouse Receipt System for agricultural commodities produced in Kenya. The Council received funding from the National Treasury which was fully utilized within the quarter under review. The highlights for achievements made within the period are as follows:

1. Inspected 19 warehouse operators to be on boarded, Pre-inspected 8 warehouses for certification, and Issued 13 trading warehouse receipts.
2. A total of 7 warehouse operators were certified in Nakuru, Trans Nzoia, Uasin Gishu, Nakuru, Kisumu, Kirinyaga and Mombasa Counties in the financial year (2023/2024).
3. 4 warehouse receipts were financed by Equity Bank in Nakuru County during the period under review.
4. Carried out sensitization and awareness programmes in 14 counties; Trans Nzoia, Uasin Gishu, Meru, Embu, Nakuru, Kakamega, Bungoma, Marsabit, Laikipia, Kwale, Mombasa, Kilifi, Kirinyaga and Nyandarua.
5. Undertook capacity building for value chain actors by Training 405 county officials, 1851 farmers/cooperatives, 92 traders and a total of 2348 stakeholders in the 15 counties during the financial year.
6. Undertook stakeholder outreach through media campaigns in 4 counties; Trans Nzoia, Meru, Nairobi and Nyandarua.
7. Identified Ken Invest, KNCCI, IFDC, KENAFF, NCPK, CGA, Hello tractor and Corps Africa as potential partners.

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8. Signed an MOU with Corps Africa.
9. Capacity built 10 financial institutions during the Financial year under review.
10. Finalized and submitted the final draft WRS (Amendment) Bill 2024 and Cabinet Memorandum for onward forwarding by PS SDT and SDA to the Office of the Attorney General for clearing and formatting before tabling before Cabinet.
11. Finalized the development of WRSC Strategic Plan 2023-27 and forwarded to State department for Economic planning for review.
12. Under the National Tree Growing and Restoration Campaign directive, the Council planted 1,055 trees at Kinale Forest Station in Kiambu County.
13. Published and displayed the Council's Citizen Service Delivery Charter in the office as well as on our website and social media pages.
14. Customized the Service Delivery Charter to unique needs by providing mechanism for sign language.
15. Engaged an assistant officer in the planning and strategy department and renewed employment contracts for 13 officers and received approval for extension of deployment period for 3 officers from MITI and 2 officers from AFA.
16. During the financial year, the Council developed productivity metrics and trained productivity mainstreaming committee.
17. Constituted and commenced the operationalization of cross-cutting committees.
18. Conducted ICT capacity assessment and integration needs analysis for potential and certified stakeholders to support the implementation and development of holistic Central Registry Business Processes.
19. Re-engineered the existing processes to define the "to-be" state during the financing year 2023/24.
20. Secured business continuity by renewing the lease agreement for the existing e-WRS-EAGC powered system.
21. Tender advertisement by TMA for the development of the Central Registry was published.
22. Design workshop for integrating the commodities exchange/warehouse operator platform was conducted.

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23. Developed the Institutional Risk Management Policy and Appointed the Risk Management Committee and Risk Champions.

For the period under review, the Council complied with statutory obligations including but not limited to remittances of NHIF, NSSF, VAT, HELB, and Housing levy within the stipulated deadlines. The Council has no major financial improbity reported by auditors nor any other government agencies.

**Major risks facing the entity**

- a) The Council received approval for the HR instruments including the organizational structure from both SCAC and PSC but has not been allocated adequate recurrent funds. The Council, has therefore not employed staff as guided by the approved structure. This affects the operationalisation of the Act, and thereby affecting the sustainability of the Council's operations
- b) Organizational set-up challenges and inadequate technical staff in line with the required 70:30 ratio of technical to support staff to support initial operationalization;
- c) Low uptake of the new system by private warehouse operators;
- d) Low volumes of commodities within the Country;
- e) Inadequate public warehousing infrastructure;
- f) High cost of jute bags;
- g) Inadequate funds to create awareness and sensitization among key stakeholders and value chain actors.
- h) Unstructured price mechanism that doesn't allow market forces. This is mainly affected by many factors including imports, Government policies.
- i) The following gaps exist in the current legal framework;
  - Multiple licensing regime under the WRS for the warehouse operators with sites in different counties thereby affecting ease of doing business.
  - Transfer of the Council to the State Department for Trade in line with the Executive Order No. 1 of 2023 which presents division on primary responsibility on oversight and administration between two Ministries.

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- Opening up to imported agricultural commodities to enable adherence to Kenya's international obligations under EAC, AfCFTA and others.
- Priority of security interests on pledged goods by creditors.
- Inclusion of PS responsible for warehouse receipt system in the Board of the Council.

## **10. Environmental and Sustainability Reporting**

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

The Warehouse Receipt System Council exists to transform lives. 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.

### **ii) Environmental performance**

The Council is yet to develop an environmental sustainability policy but plans to do so in the FY 2024/25. This will guide on waste and biodiversity management and reduction on environmental impact of the organisation's products and services.

### **iii) Employee welfare**

In the year under review, the Council submitted approved Human Resource Policy Instruments by SCAC for approval by PSC and developed job descriptions for approval by SRC. Among clauses in the manual are considerations on gender and diversity representation as enshrined in the Constitution of Kenya, 2010 and stakeholder's engagement in programs and activities of the Council. Currently the Council has employees deployed from the State Departments for Agriculture, Trade, AFA and PPCK. The Council's current staff composition comprised 15 female and 12 male employees in compliance with the constitutional requirement of two-thirds gender balance. In addition, university graduates were engaged as interns and attached in various functions of the Council to gain on-the-job experience.

The Council has facilitated staff members to attend various trainings, workshops and conferences. The trainings were in the areas of senior management development as well as Continuous Professional Development (CPD) training

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programmes geared towards improved service delivery, career progression and ensuring that staff remain in good standing. The Council has made commitments in the 2023/24 performance contract on competence development, staff appraisal, Safety and compliance with Occupational Safety and Health Act and gender mainstreaming among other commitments.

The Human Resource and Administration purposes to ensure continuous improvement of the physical and mental well-being of the employees to enable peak performance on and off the job. In the year under review, the Council provided a comprehensive medical insurance for its Council Members, staff members and their dependents. In addition, it equipped the staff with continuous member education on mental health and other lifestyle diseases in collaboration with established institutions in the health sector.

**iv) Marketplace practices-**

**a) Responsible competition practice.**

As the regulating authority, we practice fairness and are unbiased with licensing and certification being automated for transparency. The Council has developed policies for whistle blowing and code of conduct and ethics to address issues of corruption.

**b) Responsible Supply chain and supplier relations**

During the FY 2022-23, the Council sustained its efficient procurement processes in acquisition of goods, works and services. The Council ensured that the Access to Government Procurement Opportunities (AGPO) was maintained above the minimum 30% threshold as prescribed in the PPADA, 2015 & Regulations, 2020. The Council awarded 25% of its total procurement spend on tenders submitted to the special interest groups (Youth, Women & PWD's) through the AGPO and 99% to local goods and services.

**c) Responsible marketing and advertisement**

**d) Product Stewardship**

**v) Corporate Social Responsibility**

The Council donated rice worth Kshs. 100,000 through the Ministry of Investments, Trade and Industry to flood victims in Nairobi County.

**11. Report of the Directors**

The Directors submit their annual report together with the financial statements for the year ended June 30, 2024, which show the state of the Council's affairs.

**i) Principal activities**

The principal activity/mission of the Warehouse Receipt System Council is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

**ii) Results**

The results of the entity for the year ended June 30, 2024, are set out on page xv to xxiv.

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page vi-viii.

**iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council had no surplus funds reported in the audited financial statements for the FY 2022/23.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Warehouse Receipt System Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2024.

**By Order of the Board:**

  
Name: Jacqueline Odundo

**CORPORATE SECRETARY/LEGAL**

## 12. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 16 of Warehouse Receipt System Act, 2019 require the Council to prepare financial statements, which give a true and fair view of the state of affairs of the Council at the end of the financial period and the operating results of the Council for that period. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy its financial position. The Directors are also responsible for safeguarding the assets of the Council. The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial period ended on 30<sup>th</sup> June, 2024. These responsibilities include:

- 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 Council;
- 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 Council;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Council's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the Warehouse Receipt System Act, 2019. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the period ended June 30<sup>th</sup> 2024, and of the Council's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the

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Council'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 Council 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 WRSC financial statements were approved by the Council on **13<sup>th</sup> September 2024** and signed on its behalf by:



**Felicity N. Biriri**  
**Chairperson of the Council**



**Lucy Komen**  
**Ag. Chief Executive Officer**

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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## **REPORT OF THE AUDITOR-GENERAL ON WAREHOUSE RECEIPT SYSTEM COUNCIL FOR THE YEAR ENDED 30 JUNE, 2024**

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### 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.
- 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 Warehouse Receipt System Council set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, the statement of

changes in net assets, the statement of cash flows, and the 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 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 Warehouse Receipt System Council as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Warehouse Receipt System Council Act, 2019.

### **1. Variances in the Financial Statements**

The statement of changes in net assets reflects balance of Kshs.16,972,654 as at 30 June 2024 which includes brought forward balance of Kshs.16,951,346. However, the 2022-2023 financial statements reflects a balance of Kshs.17,501,543 resulting in an unexplained variance of Kshs.550,197.

In the circumstances, the accuracy and completeness of the net assets of Kshs.16,972,654 could not be confirmed.

### **2. Unsupported Airtime Expenditure**

The statement of financial performance reflects use of goods and services amount of Kshs.45,969,739 which includes airtime expenses of Kshs.1,224,232 as disclosed in Note 10 to the financial statements. The Kshs.1,224,232 includes an amount of Kshs.564,000 paid to Acting Chief Executive Officer at monthly rate of Kshs.47,000. However, the Officer's monthly entitlement is Kshs.20,000 translating to Kshs.240,000 per year, hence an overpayment of Kshs.324,000.

In the circumstances, the accuracy and completeness of Kshs.324,000 on airtime could not be confirmed.

### **3. Unsupported and Irregular Board Expenditure**

The statement of financial performance reflects Board expenses amount of Kshs.4,375,852 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.24,000 paid to undisclosed consultant, Kshs.164,100 paid to Public Sector Accounting Standards Board (PSASB) officers and Kshs.197,000 unsupported payments to board members all totalling Kshs.385,000.

In the circumstances, the accuracy and completeness of Board expenses of Kshs.385,100 could not be confirmed.

### **4. Payment of Services not Fully Received - Asset Tagging Services**

The Council engaged and fully paid a Company for the provision of asset tagging services an amount of Kshs.270,000. However, the physical verification in October 2024 revealed that the asset tagging had not been completed.

In the circumstances, the accuracy and completeness of Kshs.270,000 for asset tagging services could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Low Uptake of Warehouse Receipting System**

During the year under review, the Council certified six (6) warehouses. However, only two (2) warehouses had commodities deposited in them. It was noted that there were no commodities deposited in the warehouses by farmers or farmer groups who are the target group for the warehouses.

The slow or no uptake of the receipt system may impact negatively on the operations of the Council.

### **Other Information**

The Directors are responsible for the other information set out on page iv to xxx which comprise of Key Entity Information and Management, the Board of Directors, Management Team, Chair Persons Statement, Report of the Chief Executive Officer, 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 Warehouse Receipt System Council 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 and I am required to report that fact. I have nothing to report in this regard.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Warehouse Inspection, Licensing and Gazettement**

The Council had five (5) officers appointed as inspectors of warehouses or performing work of inspectors. However, the details of their qualifications and procedure for appointment were not provided for verification. Further, the Management did not gazette the inspectors appointed as required by Section 25(2) of the Warehouse Receipt System Act, 2019 which states that the Council shall appoint by notice in the Gazette inspectors who shall exercise such powers in accordance with regulations made under this Act.

In addition, the Council had seven (7) licensed warehouses out of which four (4) had been in place from the previous year while three (3) were licensed in the year under audit. However, the applications pertaining to the licensing and renewal of licenses was not provided for audit.

Further, the Council licensed eight (8) warehouses but failed to gazette them contrary to Section 17(7) of the Warehouse Receipt System Act, 2019 which states that the Council shall annually publish the names of licensed warehouses in the Gazette and in at least one daily newspaper of nationwide circularization. In addition, the Council revoked two (2) warehouses but failed to gazette them contrary to Section 21(8) of the Warehouse Receipt System Act, 2019 which states that the Council shall publish the names of a warehouse whose licence has been revoked in the Gazette and in at least one daily newspaper of nationwide circularization.

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

### **2. Failure to Prepare Separate Statements on Recurrent and Development Budgets**

The statement of financial performance reflects transfers from other Government entities under Note 6 to the financial statements of Kshs.78,250,000 comprising of Kshs.50,000,000 for development and Kshs.22,250,000 for recurrent. However, the Management did not prepare separate statements on budget for recurrent and development. Further, no development activity was undertaken despite receiving funds for development.

In the circumstances, the credibility of the statement of comparison of budget and actual amounts could not be confirmed and Management has not adhered to Public Sector Accounting Standards Board's reporting template.

### **3. Failure to Comply with the Approved Staff Establishment**

The Council has an approved staff establishment of eighty-nine (89). However, only thirty-two (32) staff were in post resulting in an understaffing of fifty-seven (57) officers.

In the circumstances, the effectiveness of service delivery to the public could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

#### **1. Lack of Segregation of Duties**

During the year under review, the Council lacked segregation of duties as officers in charge as well as interns were given various duties and key roles within the organization. The situation posed as a risk to the Council as the employees were privy to the Council's confidential information and documentation.

In the circumstances, the effectiveness of internal controls, risk management and governance could not be confirmed.

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

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

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

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

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

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

The Board of Directors is responsible for overseeing the Council's financial reporting process, reviewing the effectiveness of how the 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 for 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 IFPP 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

24 December, 2024

**Warehouse Receipt System Council  
Annual Report and Financial Statements  
For the period ended 30<sup>th</sup> June, 2024.**

**14. Statement of Financial Performance for the period ended 30<sup>th</sup> June, 2024**

	Notes	2023-2024	2022-2023
Description		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	78,250,000	37,799,998
Donor funds	7	-	1,911,840
Fees	8	11,000	3,100
Other incomes		-	124,387
<b>Total Revenue</b>		<b>78,261,000</b>	<b>39,839,325</b>
<b>Expenses</b>			
Employee costs	9	18,260,446	16,423,234
Use of goods and services	10	45,969,739	28,437,758
Board expenses	11	4,375,852	3,579,565
Depreciation expenses	12	4,997,763	4,227,759
Amortization expenses	13	2,662,373	2,662,373
Repairs and maintenance	14	1,360,508	212,427
<b>Total expenses</b>		<b>77,578,582</b>	<b>55,543,115</b>
<b>Surplus/deficit before tax</b>		<b>634,318</b>	<b>(15,703,790)</b>
Taxation		-	-
<b>Surplus/(deficit) for the period/year</b>		<b>-</b>	<b>-</b>
Remission to National Treasury		-	-
<b>Net Surplus for the year</b>		<b>634,318</b>	<b>(15,703,790)</b>

The notes set out from page 4 of this report form an integral part of these Financial Statements.



.....  
**Name: L. Komen**  
**Accounting Officer**

**Date: 25.09.2024**



.....  
**Name: C. Muthoni**  
**Head of Finance**  
**ICPAK M/No: 24029**

**Date: 25.09.2024**



.....  
**Name: F. Biriri**  
**Chairperson**

**Date: 25.09.2024**

**Warehouse Receipt System Council  
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**15. Statement of Financial Position as at 30<sup>th</sup> June, 2024**

Description	Notes	2023-2024 Kshs	2022-2023 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15	3,563,033	4,090,588
Receivables	16	158,950	1,713,632
<b>Total Current Assets</b>		<b>3,721,983</b>	<b>5,804,220</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	17	11,457,011	8,438,279
Intangible assets	18	6,312,746	8,975,119
<b>Total Non- Current Assets</b>		<b>17,769,757</b>	<b>17,413,398</b>
<b>Total Assets</b>		<b>21,491,740</b>	<b>23,217,618</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	19	4,519,082	5,716,076
<b>Total Current Liabilities</b>		<b>4,519,082</b>	<b>5,716,076</b>
<b>Non-Current Liabilities</b>			
<b>Total Non- Current Liabilities</b>		-	
<b>Total Liabilities</b>		<b>4,519,082</b>	<b>5,716,076</b>
<b>Net assets</b>			
Reserves			
Accumulated surplus/deficit		16,972,654	17,501,543
Capital Fund			
<b>Total Net Assets</b>		<b>16,972,654</b>	<b>17,501,543</b>
<b>Total Net Assets and Liabilities</b>		<b>21,491,737</b>	<b>23,217,618</b>

.....  
**Name: L. Komen**  
**Accounting Officer**

**Date: 25.09.2024**

.....  
**Name: C. Muthoni**  
**Head of Finance**  
**ICPAK M/No: 24029**

**Date: 25.09.2024**

.....  
**Name: F. Biriri**  
**Chairperson**

**Date: 25.09.2024**

**Warehouse Receipt System Council  
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**16. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June, 2024**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings Kshs	Proposed dividends	Capital/ Grants/Fund Kshs	Total Kshs
<b>As at July 1, 2022</b>	-	-	-	<b>32,042,126</b>	-	-	<b>32,042,126</b>
Surplus/ Deficit for the year	-	-	-	(15,703,790)	-	-	(15,703,790)
Capital/Development grants received during the year	-	-	-	-	-	-	-
<b>As at June 30, 2023</b>	-	-	-	<b>16,951,346</b>	-	-	<b>16,951,346</b>
Surplus/ Deficit for the year	-	-	-	634,318	-	-	634,318
Capital/Development grants received during the year	-	-	-	-	-	-	-
<b>As at June 30, 2024</b>	-	-	-	<b>16,972,654</b>	-	-	<b>16,972,654</b>

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**17. Statement of Cash flow for the period ended 30<sup>th</sup> June, 2024**

		<b>2022-2023</b>	<b>2021-2022</b>
	<b>Notes</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6	78,250,000	37,008,332
Donor funds	7	-	1,911,840
Fees	8	11,000	3,100
Other incomes			124,387
<b>Total Receipts</b>		<b>78,261,000</b>	<b>39,047,659</b>
<b>Payments</b>			
Use of goods and services	9	45,921,639	28,952,544
Employee costs	8	18,260,446	16,423,234
Board expenses	10	4,375,852	2,913,965
Repairs and maintenance	13	1,360,508	212,427
<b>Total Payments</b>		<b>70,771,835</b>	<b>48,502,170</b>
<b>Net cash flow from operating activities</b>		<b>7,489,165</b>	<b>(9,454,510)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment	17	(8,016,720)	(358,320)
Purchase of intangible assets		-	-
<b>Net cash flows from/to investing activities</b>		<b>(8,016,720)</b>	<b>(358,320)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows from /to financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(527,555)</b>	<b>(471,355)</b>
Cash and cash equivalents at 1 JULY 2023		4,090,588	13,903,418
<b>Cash and cash equivalents at 30 JUNE 2024</b>		<b>3,619,232</b>	<b>4,090,588</b>

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June, 2024**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual Cumulative to June 2024	Performance difference	% of utilisation
	a	b	c=a+b	d	Kshs	
<b>RECEIPTS</b>	Kshs	Kshs	Kshs	Kshs	<b>e=(c-d)</b>	<b>F=d/c</b>
Government Grants	82,000,000	-	82,000,000	78,250,000	3,750,000	95
Appropriation in Aid	20,000		20,000	11,000	9,000	55
<b>TOTAL RECEIPTS</b>	<b>82,020,000</b>		<b>82,020,000</b>	<b>78,261,000</b>	<b>3,759,000</b>	
<b>EXPENSES</b>					-	
Compensation of Employees	17,265,544	-	17,265,544	18,260,446	(994,902)	106
Board expenses	4,160,000	-	4,160,000	4,375,852	(215,852)	105
Use of goods and services	47,624,456	-	47,624,456	45,969,739	1,654,717	97
Acquisition of Assets	9,050,000	-	9,050,000	8,016,720	1,033,280	89
Repairs & Maintenance	1,357,000	-	1,357,000	1,360,508	(3,508)	100
<b>TOTAL EXPENSES</b>	<b>82,020,000</b>	<b>-</b>	<b>79,457,000</b>	<b>77,983,265</b>	<b>1,473,735</b>	
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>-</b>	<b>2,563,000</b>	<b>277,735</b>		

**Explanatory notes on budget utilization**

1. For personnel emoluments, the 6% over expenditure is due to the housing levy introduced during the FY, whereby the employee is deducted 1.5% of their gross salary and the employer contributes an equal amount. The National Social Security Fund (NSSF) contributions were also reviewed upwards. These were not budgeted for and no additional funds were granted to cater for the same. The Council also engaged a planning and strategy officer in quarter 4 to support the department.
2. The Council Members held a retreat to review and share input for the strategic plan and undertook training for the Audit and Risk Committee Members leading to the 5% over-utilization on board expenses.
3. The Council had envisaged to develop of its own Central registry and e-WRS through support from Trademark Africa and thus had set aside funds as GoK contribution. However, the development did not start in the FY under review thus an under-utilization on the acquisition of assets.

## **19. Notes to The Financial Statements**

There are no reconciling items to warrant a reconciliation between surplus as per statements of financial performance and comparison of budget and actual amounts.

### **1. General Information**

The Warehouse Receipt System Council is established by and derives its authority and accountability from Section 3 of the Warehouse Receipt System Act No. 8 of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council's principal activity is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

### **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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Entity'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 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Council. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Warehouse Receipt System Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. Adoption of New and Revised Standards**

The entity did not early-adopt any new and amended standards and interpretations in issue but not yet effective in the period ended 30<sup>th</sup> June, 2024. These were; IPSAS

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41 Financial Instruments, IPSAS 42 Social benefits and IPSAS 30 have been amended but not yet applicable since they are effective January, 2023.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**Fees**

The Council recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, income is recognized instead of revenue.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

**b) Budget information - IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Council. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes**

The Council is a regulatory State Corporation categorised as Schedule 3 under Public Finance Management Regulations 211(4) and therefore exempt from tax in accordance with Section 219(3) of the Public Finance Management Regulations, 2015. It is funded from government grants and does not have other significant sources of income and registered for PAYE, Income taxes.

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced

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at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

The Council used the approved depreciation rates as follows on a straight-line basis:

<b>Asset</b>	<b>Depreciation Rate</b>	<b>Useful Life</b>
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Automobiles	25.00%	4yrs
Computers	33.30%	3yrs
Office and Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

**e) Intangible assets**

Intangible assets (ERP System) acquired by the Council during the year have been amortized at the rate of 20% with a useful life of 5 years, on straight-line basis. However, the WRS system is still work in progress and thus recognized at cost with no amortization in the financial year.

**f) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Councils commercial bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to staff which were not surrendered or accounted for at the end of the financial year.

**g) Subsequent events**

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

**h) Accounting Policies, Changes in Accounting Estimates and Errors -  
IPSAS 3**

The Council shall apply IPSAS 3 in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. WRSC shall correct (where practicable) material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery.

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**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Boards 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.

**6. Transfers from Ministries, Departments Agencies (MDAs)**

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2023/24	Total transfers 2022/23
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department for Trade	78,250,000	-	-	78,250,000	4,750,000
State Department for Agriculture	-	-	-	-	33,049,998
<b>Total</b>	<b>78,250,000</b>	<b>-</b>	<b>-</b>	<b>78,250,000</b>	<b>37,799,998</b>

**7. Donor funds**

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2023/24	Total transfers 2022/23
	Kshs	Kshs	Kshs	Kshs	Kshs
Alliance for Green Revolution in Africa (AGRA)	-	-	-	-	1,911,840
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,911,840</b>

**8. Fees**

	Period ended 30 <sup>th</sup> June, 2024	Comparative period
		Kshs
Certification Fees	11,000	3,100
<b>Total</b>	<b>11,000</b>	<b>3,100</b>

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**9. Employee Costs**

	<b>Period ended 30<sup>th</sup> June, 2024</b>	<b>Comparative period</b>
	<b>Kshs</b>	<b>Kshs</b>
Salaries and allowances	17,636,530	16,210,562
Employer contributions	623,916	118,872
<b>Total</b>	<b>18,260,446</b>	<b>16,329,434</b>

**10. Use of Goods and Services**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Training and Capacity Building	2,037,628	2,830,697
Inspection & Compliance	948,340	476,600
Publicity and promotional items	2,319,078	1,502,766
Stakeholder Sensitization	2,946,898	991,367
Development & Implementation of S.P	3,763,210	1,410,680
Performance Contracting	3,433,750	2,508,850
Softwares and Licenses	3,946,011	871,197
Internet	728,000	616,000
Computer Accessories	879,720	411,955
Staff Welfare	2,191,373	1,122,003
Fuel expenses	2,822,090	1,127,950
Newspapers, Periodicals, Journals	95,304	11,520
Bank Charges	269,476	71,204
Local Travelling Expenses	4,327,625	2,628,528
Staff training	3,368,129	-
Medical, WIBA/GPA, insurance cover	6,094,603	5,634,621
AGRA Project expenses	-	3,909,329
Taxi expenses	1,486,555	547,827
Airtime expenses	1,224,232	974,500
Common user items	676,853	181,580
Telephone and postage	34,520	51,783
Internal audit expenses	486,144	
Audit fees	556,800	556,800
Corporation Sec & Legal expenses	1,333,400	-
<b>TOTAL</b>	<b>45,969,739</b>	<b>28,437,758</b>

**11. Board Expenses**

<b>Description</b>	<b>Period ended 30<sup>th</sup> June, 2024</b>	<b>Comparative period</b>
	<b>Kshs</b>	<b>Kshs</b>
Sitting allowances	1,820,000	2,130,000
Chairpersons honorarium	960,000	720,000
Board retreats	976,953	-
Other board expenses	618,899	425,515
<b>Total</b>	<b>4,375,852</b>	<b>3,275,515</b>

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**12. Depreciation expenses**

Assets	Depreciation 2023-24	Depreciation 2022-23
	Kshs	Kshs
Motor Vehicles	( 3,180,111)	(1,842,611.00)
Computers and related Equipment	(991,306)	(1,619,929.00)
Office & Communication Equipment	(309,357)	(309,357.00)
Furniture and Fittings	( 516,990)	(455,862.00)
<b>Total depreciation</b>	<b>(4,997,763)</b>	<b>(4,227,759)</b>

**13. Amortization expenses**

Assets	Amortization 2023-24	Amortization 2022-23
	Kshs	Kshs
ERP System	(1,674,373)	(1,674,373)
Electronic Warehouse Receipt System	(988,000)	(988,000)
<b>Total</b>	<b>(2,662,373)</b>	<b>(2,662,373)</b>

**14. Repairs and Maintenance**

	Period ended 30th June 2024	Comparative period
	Kshs	Kshs
Automobiles	1,014,773	118,187
Computer and Electronic Equipment	42,500	80,040
Furniture and fittings	303,235	14,200
<b>Total</b>	<b>1,360,508</b>	<b>212,427</b>

**15. Cash and Cash Equivalents**

Description	Period ended 30 <sup>th</sup> June, 2024	Comparative period
	Kshs	Kshs
Bank balance	3,619,232	4,614,034
<b>Total</b>	<b>3,619,232</b>	<b>4,614,034</b>

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

Description	2023-2024	2022-2023
	Kshs.	Kshs.
Recurrent grants	-	791,666
<b>Imprest debtors</b>		
Samuel Ogola	-	771,516
William Kiarie	-	48,450
Kenneth Ronoh Kiptoo	-	102,000
Gilbert	84,700	
Charles	64,750	
Viola	9,500	
<b>TOTAL</b>	<b>158,950</b>	<b>1,713,632</b>

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**17. a) Property, Plant and Equipment (PPE)**

	Furniture and fittings	Computers	Office equipments	Motor Vehicle	Total
Cost	Shs	Shs	Shs	Shs	Shs
<b>1st July, 2021</b>	<b>2,500,756</b>	<b>3,140,400</b>	<b>1,153,349</b>	-	<b>6,794,505</b>
Additions	787,520	1,719,874	1,321,503	7,370,443	11,199,340
Disposals					
Transfer/adjustments	-	-	-		-
<b>As at 30<sup>th</sup> June 2022</b>	<b>3,288,276</b>	<b>4,860,274</b>	<b>2,474,852</b>	<b>7,370,443</b>	<b>17,993,845</b>
Additions	358,320	-	-	-	358,320
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-		-
<b>As at 30<sup>th</sup> June 2023</b>	<b>3,646,596</b>	<b>4,860,274</b>	<b>2,474,852</b>	<b>7,370,443</b>	<b>18,352,165</b>
Additions	489,320	2,177,400	-	5,350,000	8,016,720
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>4,135,916</b>	<b>7,037,674</b>	<b>2,474,852</b>	<b>12,720,443</b>	<b>26,368,885</b>
<b>Depreciation and impairment</b>					
<b>1st July, 2021</b>	<b>(312,595)</b>	<b>(1,046,695)</b>	<b>(144,169)</b>	-	<b>(1,503,458)</b>
Depreciation	(411,035)	(1,619,929)	(309,357)	(1,842,611)	(4,182,931)
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2022</b>	<b>(723,629)</b>	<b>(2,666,625)</b>	<b>(453,525)</b>	<b>(1,842,611)</b>	<b>(5,686,390)</b>
Depreciation	(455,825)	(1,619,929)	(309,357)	(1,842,611)	(4,227,721)
Impairment	-	-	-		-
Transfer/adjustment	-	-	-		-
<b>As at 30<sup>th</sup> June 2023</b>	<b>(1,179,454)</b>	<b>(4,286,554)</b>	<b>(762,882)</b>	<b>(3,685,222)</b>	<b>(9,914,111)</b>
Depreciation	(516,990)	(991,306)	(309,357)	(3,180,111)	(4,997,763)
Impairment	-	-	-		-
Transfer/adjustment	-	-	-		-
<b>As at 30<sup>th</sup> June 2024</b>	<b>(1,696,443)</b>	<b>(5,277,861)</b>	<b>(1,072,238)</b>	<b>(6,865,332)</b>	<b>(14,911,874)</b>
<b>Net Book Value as at 30<sup>th</sup> June 2023</b>	<b>2,467,143</b>	<b>573,720</b>	<b>1,711,970</b>	<b>3,685,222</b>	<b>8,438,279</b>
<b>Net Book Value as at 30<sup>th</sup> June 2024</b>	<b>2,439,473</b>	<b>1,759,814</b>	<b>1,402,614</b>	<b>5,855,111</b>	<b>11,457,011</b>

**b) Property, Plant and Equipment (PPE) costing**

	Cost	Depreciation 2023-24	Depreciation 2022-23	NBV
PPE	Kshs	Kshs	Kshs	
Motor Vehicles	7,370,443	(3,180,111)	(3,685,221.50)	5,855,111
Computers and related Equipment	4,860,274	(991,306)	(4,286,554.14)	1,759,814
Office & Comm Equipment	2,474,852	(309,357)	(762,881.63)	1,402,614
Furniture and Fittings	3,646,596	(516,990)	(1,179,453.50)	2,439,473
<b>Total PPE</b>	<b>18,352,165</b>	<b>4,997,763</b>	<b>(9,914,111)</b>	<b>11,457,011</b>

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

Description	Cost or valuation	Normal annual depreciation charge
Computers and Related Equipment	3,140,400	1,046,695.30
<b>Total</b>	<b>3,140,400</b>	<b>1,046,695.30</b>

**18.a) Intangible Assets**

	E-WRS	ERP System	TOTAL
Cost	KShs	KShs	KShs
<b>1st July, 2021</b>		-	-
Additions	-	8,371,865	8,371,865
Disposals	-	-	-
Transfer/adjustments	-	-	-
<b>As at 30th June, 2022</b>	-	<b>8,371,865</b>	<b>8,371,865</b>
Additions	4,940,000	-	<b>4,940,000</b>
Disposals	-	-	-
Transfer/adjustments	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>4,940,000</b>	<b>8,371,865</b>	<b>13,311,865</b>
Additions	-	-	-
Disposals	-	-	-
Transfer/adjustments	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>4,940,000</b>	<b>8,371,865</b>	<b>13,311,865</b>
<b>Amortization</b>			
<b>1st July, 2021</b>	-	-	-
Amortization	-	(1,674,373)	(1,674,373)
Disposals	-	-	-
Transfer/adjustments	-	-	-
<b>As at 30th June, 2022</b>	-	<b>(1,674,373)</b>	<b>(1,674,373)</b>
Amortization	(988,000)	(1,674,373)	(2,662,373)
Disposals	-	-	-
Transfer/adjustment	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>(988,000)</b>	<b>(3,348,746)</b>	<b>(4,336,746)</b>
Amortization	(988,000)	(1,674,373)	(2,662,373)
Disposals	-	-	-
Transfer/adjustment	-	-	-
<b>As at 30<sup>th</sup> June 2024 (accumulated)</b>	<b>(1,976,000)</b>	<b>(5,023,119)</b>	<b>(6,999,119)</b>
<b>Net Book Value as at 30<sup>th</sup> June 2023</b>	<b>3,952,000</b>	<b>5,023,119</b>	<b>8,975,119</b>
<b>Net Book Value as at 30<sup>th</sup> June 2024</b>	<b>2,964,000</b>	<b>3,348,746</b>	<b>6,312,746</b>

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**b) Intangible Assets at cost**

	Cost	Amortization 2022-23	Amortization 2022-23	NBV
	Kshs	Kshs	Kshs	Kshs
ERP System	8,371,865	(1,674,373)	(1,674,373)	3,348,746
E-WRS	4,940,000	(988,000)	(988,000)	2,964,000
<b>Total intangible</b>	<b>13,311,865</b>	<b>(2,662,373)</b>	<b>(2,662,373)</b>	<b>6,312,746</b>

**19. Trade and Other Payables**

Payee	2023-2024	2022-2023
Jiunge Cloud Ltd	168,000	112,000
East Africa Grain Council	-	1,487,895
Lake Naivasha Resort	-	294,050
Jubilee Insurance	-	148,886
Staff claims - local travel	-	16,350
Office of Auditor General	556,800	556,800
Kenatco taxis	150,522	312,295
Embcomm Networks	-	215,000
Statutory deductions	567,096	
Malia General	22,530	39,799
Safaricom	-	11,996
MFI Solutions	-	132,240
Kadri Alfa	-	216,000
Persam Office Solutions	130,500	-
Winmark Printers Limited	775,000	-
Kaylan tours and travel	64,700	-
The blunch	234,150	-
Vanten East Africa Ltd	270,000	-
Mirage Supplies Ltd	350,000	-
Jacmat Tecnology and Engineering Ltd	213,105	-
Charnostar Enterprises	42,400	-
Kenya tea packers	-	11,168
Triple Edge Media	116,000	-
Oak Leaf Agencies Limited	32,470	-
Hotel Hylise	130,500	-
Honeywell Ltd	221,500	-
Blue media	200,000	-
Fordways	25,000	
Board expenses	-	665,600
DSL Solutions	-	837,187
Meru ATC	153,000	153,000
Mountain Breeze	37,500	37,500
KALRO Dairy Research Institute	58,310	58,310
East Africa Grain Council e-WRS	-	410,000
<b>TOTAL</b>	<b>4,519,082</b>	<b>5,716,076</b>

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**20. Cash Generated from Operations**

		<b>2023- 2024</b>	<b>2022-2023</b>
	<b>Notes</b>	<b>Kshs</b>	<b>KShs</b>
<b>Surplus for the year before tax</b>		<b>634,318</b>	<b>(15,703,790)</b>
<b>Adjusted for:</b>			
Depreciation	12	4,997,763	4,227,759
Amortization	13	2,662,373	2,662,373
<b>Working Capital adjustments</b>			
Increase in inventory			
Increase in receivables		1,054,682	(966,932)
Increase in deferred income			
Increase/Decrease in payables		(1,859,972)	326,080
Increase in payments received in advance			
<b>Net cash flow from operating activities</b>		<b>7,489,165</b>	<b>(9,454,510)</b>

**21. Financial Risk Management**

The Councils activities expose it to a variety of financial risks including liquidity risks and effects of changes in foreign currency. Its 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.

**22. Ultimate and Holding Entity**

The Council is a State Corporation under the Ministry of Investment Trade and Industry under the executive order No. 1 of 2023. Its ultimate parent is the Government of Kenya.

**23. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

## 24. Appendices

### Appendix I: Implementation Status of Auditor-General's Recommendations

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

S/ No	Audit Issue	Management Responses	Actions Plan/Status
<b>1.</b>	<b>The audit issues that formed the basis for Qualified Opinion</b>		
a)	<p><b>Long Outstanding Payables:</b></p> <p>The statement of financial position reflects trade and other payables balance of Kshs. 5,716,076.00 as disclosed in Note 19 to the financial statements. Included in the balance are payables amounting to Kshs. 1,495,996 that remained unpaid for more than a year. No explanation has been given by Management for the failure to settle the outstanding payables.</p> <p>In the circumstances, the accuracy and fair presentation of the current payables balance of Kshs.5,716,076 could not be confirmed.</p>	<p>The outstanding payables for DSL and EAGC were pending closure of existing contracts as per the terms of engagement. While the budgets were approved, the funds were not received from the The national treasury in time to facilitate execution of the contracts.</p> <p>The other payables are for conference facilities that were offered by mainly government institutions that are yet to submit correct invoices to facilitate payments. Communication has been made to suppliers to submit relevant invoices to facilitate payment.</p>	<p>Payments for the EAGC and DSL contracts were made upon completion and closure of the contracts.</p> <p>Communication was made to the other suppliers to submit relevant invoices to facilitate payment.</p>
b)	<p><b>Budgetary Control and Performance:</b></p> <p>The statement of comparison of the budget and actual amounts reflects total expenses budget and actual on comparable basis of Kshs. 45,760,000 and Kshs 55,901,435.00 respectively, resulting to over-expenditure of Kshs. 10,141,435 or 22% of the budget, without approval nor explanation.</p>		

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	The over-expenditure of Kshs. 10,141,435 without approval is against the budgetary control requirement that the over/under-expenditure of 10%.		
<b>2.</b>	<b>The audit issues that formed the basis for conclusion on the Lawfulness and Effectiveness in use of Public Resources.</b>		
a)	<p><b>Irregular Payment of Entertainment and Responsibility Allowances:</b></p> <p>The statement of financial performance and Note 11 to the financial statement reflects employee costs of Kshs. 16,423,233 which includes entertainment allowance and responsibility allowance of Kshs. 1,080,000 and Kshs. 1,038,000 respectively. The amounts were paid to staff as part of their salary during the period under review. However, the Management did not provide an approval or explanation to the paid allowances which were not included in the employees' contractual terms. This was in contravention of PFM Regulation Section 105(1).</p> <p>In the circumstances, the Council was in contravention of the law.</p>	<p>The Human Resource and Governance Committee approved payment of responsibility allowance of Ksh. 9,000 per month and entertainment allowance of Ksh. 10,000 per month to staff assigned to head departments and the CEO. Payment of the allowances was approved by the Full Council in their 2<sup>nd</sup> meeting held on 30<sup>th</sup> September 2020.</p> <p>The officers have appointment letters showing their positions and duties allocated.</p>	

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b)	<p><b>Inactive Central Registry System:</b></p> <p>Section 12 of the Warehouse Receipt System Act, 2019 requires the Council to establish a registry system. The Council leased a system from East African Grain Council. However, the system has not integrated a clearing and settlement system as required by the Act.</p> <p>Further, the Act required the system to be supported by a disaster recovery and business continuity plans which were not provided for audit review.</p> <p>In the circumstances, the Council is in breach of the law.</p>	<p>The delay in the development of central registry was occasioned by inadequate funding. The Council has however partnered with Trademark East Africa and initiatives aimed at establishing a Central Registry have commenced.</p> <p>To start with the Council in the FY2023/24 conducted a business process mapping, that will guide the development and implementation, which is modular.</p> <p>A disaster recovery and business continuity plans is yet to be developed due to financial constraints.</p>	
c)	<p><b>Lack of Appointment of Inspectors:</b></p> <p>Section 32 of the Warehouse Receipt System Act, 2019 requires the Council to appoint qualified persons by name or office to appointment of inspectors to carry out the inspection of the warehouse operators' premises and business for the purposes of the Act and these regulations. However, the Council has not yet appointed these inspectors.</p> <p>In the circumstances, the Council is in breach of the law.</p>	<p>The Council's institutional structure was approved by SRC in 2022, but the same has not been funded by the National Treasury. The inspectors require to be recruited and appointed and gazetted. This process could not be undertaken without funding to support.</p>	<p>Follow up with the National Treasury will be done for allocation of funds for recurrent expenditure to facilitate the recruitment of inspectors according to the approved Organizational Structure.</p>
3.	<p><b>The audit issues that formed the basis for conclusion on the Effectiveness of Internal Controls, Risk Management and Governance.</b></p>		

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<p>a)</p>	<p><b>Under-staffing of the Council</b></p> <p>The staff establishment of the council provides for Eighty-nine (89) employees. However, review of the council payroll revealed that the council has twenty-four (24) employees out of these fourteen (14) were on contract and ten (10) are deployed from other Government Agencies. Thus, the Council has not substantially filled all the posts.</p> <p>In the circumstances, the council may fail to achieve its mandate due to understaffing and is in breach of the established requirements.</p>	<p>The Council has approved structure but not funded to allow recruitment of substantive adequate staff. Requests and reminders has been made to the National Treasury to allocate recurrent expenditure to the Council. Recruitment will be done upon receipt of recurrent funding.</p>	<p>Follow up with the National Treasury will be done for allocation of funds for recurrent expenditure to facilitated the recruitment of staff according to the approved Organizational Structure.</p>
<p>b)</p>	<p><b>Low uptake of Warehouse Receipting System</b></p> <p>Field verification to licensed warehouses and Cooperatives in Uasin Gishu, Trans-Nzoia, Kakamega and Bungoma Counties in the month of December, 2023 revealed that there were no any commodities deposited in the warehouses by farmers or farmer groups. In addition, an interview with the farmers revealed the following challenges;</p> <ul style="list-style-type: none"> <li>i. Farmers were turned away with maize that did not meet specified grades.</li> <li>ii. Middlemen are readily offering lucrative prices for maize therefore farmers have no need for storing their produce.</li> <li>iii. The lengthy process of certifying and licensing warehouses has discouraged farmers from depositing grains at their local stores.</li> </ul>	<p>Uptake of the Warehouse Receipt System requires intensive;</p> <ul style="list-style-type: none"> <li>(i) Awareness creation and sensitization of the value chain actors.</li> <li>(ii) Training of farmers on postharvest management.</li> </ul> <p>However, this is yet to be achieved due to financial constraints.</p> <ul style="list-style-type: none"> <li>(iii) The certification and licensing of warehouse operators is at two government levels (National and County). However, the council is undertaking a legal review and this concern has been addressed under the Warehouse Receipt System Bill 2024.</li> </ul>	<p>The awareness creation and sensitization of the value chain actors as well as training of farmers on postharvest management will be intensified upon allocation of funds by the National Treasury.</p> <p>The Council has been seeking for support from partners to support/fund some of its activities. Since inception in 2020 the WRSC has partnered with AGRA, IFC and Trademark East Africa. More proposals will be developed to request for</p>

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<p>iv. There's high transportation cost to the licensed warehouses.</p> <p>v. Farmers have stores at home therefore may not adopt the initiative.</p> <p>vi. High cost of maintaining warehouse operations compared to the yields.</p> <p>vii. Lack of WRSC staff in the counties may hinder engagement.</p> <p>Further, only two (2) warehouses operators were licensed, and they operate six (6) warehouses in the entire country, over the three years that the Council has been in operation. This signals slow uptake of the receipt system or lack of aggressive sensitization and implementation of the system.</p> <p>In the circumstances, effectiveness and sustainability of the Council services is doubtful.</p>	<p>The Council also has no regional office/officers/branches.</p> <p>However, Agriculture and Trade functions were devolved under the 2010 constitution and therefore the Council partners with the County officers to promote warehouse receipting within the county government, as stipulated under the WRS Act, 2019.</p>	<p>support from donors and partners.</p>
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