

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PARLIAMENT BUILDING  
NAIROBI

**REPORT**

DATE: 06 JUN 2024

DAY:

Thursday

TABLED  
BY:

Hon. Waqo Naominy  
Deputy Majority Whip

CLERK-AT  
THE-TABLE:

M. Mado

**OF**

**THE AUDITOR-GENERAL**

**ON**

PARLIAMENT  
OF KENYA  
LIBRARY

**KENYA ANIMAL GENETIC  
RESOURCES CENTRE**

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

ASR 100 00

**Kenya Animal Genetic Resources Centre  
Annual Report and Financial Statements  
for the year ended June 30, 2023.**

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**KENYA ANIMAL GENETIC RESOURCES CENTRE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2023**

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

**KENYA ANIMAL GENETIC RESOURCES CENTRE**  
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**1. Acronyms, Abbreviations and Glossary of Terms**

**A: Acronyms and Abbreviations**

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
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
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
WB	World Bank
AGR	Animal Genetic Resources
AH	Animal Health
AI	Artificial Insemination
AIA	Appropriation in Aid
ASDS	Agricultural Sector Development Strategy
BOD	Board of Directors
GAC	Genetics Advisory Committee
CAIB	Central Artificial Insemination Board
CAIS	Central Artificial Insemination Station
CASA	Computer Assisted Semen Analyser

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DF	Deep Frozen
DCS	Director Corporate Services
DRSK	Dairy Recording Services of Kenya
DRTS	Director Research & Technical Services
DVS	Director of Veterinary Services
EAAPP	Eastern Africa Agricultural Productivity Project
ECAAT-P	East and Central Africa Agricultural Transformation - Project
EBV	Estimated Breeding Value
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus and Acquired Immuno-Deficiency Syndrome
ICT	Information Communication Technology
ISO	International Organization for Standardization
KAGRC	Kenya Animal Genetic Resources Centre
KNAIS	Kenya National Artificial Insemination Services
KPI	Key Performance Indicators
KVA	Kenya Veterinary Association
KVB	Kenya Veterinary Board
KSB	Kenya Study Book
LAN	Local Area Network

**B: Glossary of Terms**

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

**Comparative Year-** Means the prior period.

## **2. Key Entity Information and Management**

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

The **Kenya Animal Genetic Resources Centre** was incorporated/ established under the legal notice 110 of September 2011. The Entity is domiciled in Kenya, head quartered in Nairobi and has Sub Centres in Kirinyaga, Sotik, Nyahururu and Eldoret.

The Kenya Animal Genetic Resources Centre (KAGRC) formally, CAIS was established in 1946 through a Gazette Notice No. 557 as a semen production and distribution Centre. The Centre has been given full autonomy as a State Corporation, through a Gazette Notice No. L.N. 110 of 5th September 2011. The new mandate of the Centre includes production, preservation, distribution and conservation of animal genetic material as well as rearing of breeding sires for provision of high quality disease free semen to meet National demand and for export. KAGRC is situated 15 km from City Centre (West of the Nairobi City), and has its Headquarters in Lower Kabete in Nairobi and has land capacity of about 358 Acres, 125 bulls in the stud, Three administration Blocks, A Laboratory, Reticulated water system, Electrical installations, and other infrastructure.

The Centre works in close collaboration with other breeding organizations such as Kenya Stud Book, Dairy Recording Services of Kenya and Livestock Recording Centre, Research Organizations, Universities, community Based Organizations (CBOs) and individual farmers. Together, we implement the Contract Mating Program through which breeding sires are recruited to the Centre for semen production and Progeny Testing Program (PTP). The PTP provides a basis against which the estimated breeding value of the bulls at the Centre is calculated. In addition to this, the Centre has entered into a memorandum of understanding with American Holstein Friesian Association to undertake GENOMIC evaluation of our Bull Dams, the Bulls themselves and their heifers for efficient performance of the Centre. Four (4) dairy breeds are kept in the Centre, namely Friesian, Ayrshire, Jersey and Guernsey and 1 beef breeds of bovine species namely Boran and Sahiwal, a dual-purpose breed.

**(b) Principal Activities**

**KAGRC's Vision**

“A world class producer of superior animal genetic resources”

**KAGRC's Mission**

“To produce, distribute and conserve high quality animal germplasm as well as provide related services through cutting-edge technology to contribute to optimal national livestock productivity for socioeconomic development.”

**KAGRC's Core Values**

To achieve the above vision and mission, the Centre shall be guided by the following core values:

- Professionalism; Observe professionalism in service delivery.
- Customer focused; Consistently offer effective and efficient services to all our internal and external customers.
- Accountability; Be accountable to the stakeholders in the provision of services.
- Team-work; Build a strong and dedicated team to provide the best services.
- Meritocracy; Ensure that all its priorities and decisions are based on merit.
- Integrity; Uphold integrity as a core component of our corporate culture.

**KAGRC's Strategic Objectives**

The strategic plan identifies four (4) key strategic objectives which will be pursued during the five years namely: -

- 1 Increase capacity for germplasm production, preservation and conservation;
- 2 Strengthen Institutional Capacity, infrastructure development and legal framework;
- 3 Expand market share of KAGRC products and strengthen financial base; and
- 4 Strengthen research, innovation and development in animal genetic resources.

### **KAGRC's Mandate**

The Centre's principal activity is the production and distribution of bull and buck semen. The other mandates as stated in the legal notice 110 of September 2011 include the following;

1. Establish a national livestock resources gene bank for conservation of livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species for posterity in Kenya.
2. Conserve for posterity and avail livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species in Kenya for both research and Breeding
3. Engage in strategic semen production
4. Serve as a reference laboratory for certification, testing of semen, embryos and related livestock productive materials for purpose of import and export
5. Either alone or in collaboration with other institutions, provide information on the suitability and effectiveness of animal breeding products
6. Either alone or in collaboration with other institutions, develop and produce chemicals and laboratory products for use in the production of semen.
7. Provide training in animal resource conservation procedures, semen, in-vitro and in-vivo embryo production and transfer and related technology transfer.

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**Key Management**

The Kenya Animal Genetic Resources Centre's day-to-day management is under the following key organs:

	<b>Designation</b>	<b>Name</b>
1.	Board of Directors	Prof James Wabacha Ms Ruth N. Muigai Mr John Gethi Mr George Obala Hon Petkay Miriti Dr Evans Ilatsia Mr Robert Gatonga Dr Margaret Makelo Dr Obadiah N. Njagi
2.	Managing Director	Dr. David K. Kios
3.	Head of Corporate Services	CPA Faith Aciita
4.	Head of Research & Technical Services	Dr Rosellyne Wambugu
5.	Head of Extension Services	Dr. Paul Egesa
6	Head of Strategy & Planning	Mr. David Sang

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Managing Director	Dr David Kios
2.	Head of Research & Technical Services	Dr Rosellyne Wambugu
3.	Head of Corporate Services	CPA Faith Aciita
4.	Head of Extension Services	Dr Paul Egesa
5.	Head of Strategy & Planning	Mr David Sang

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No.	Designation	Name
6.	Human Resource & Admin Manager	Mrs Lucia Koskei
7.	Manager Breeding & Bull Health	Dr Daniel Mwangi
8.	Centre Manager, Goat A.I. Station	Dr James Mbuchi
9.	Principal Marketing Officer	Dr. Paul Juma
10.	Head of Finance	CPA Silas Osundwa
11.	Head of Procurement	Ms Naomi Jeptoo
12.	Head of Internal Audit	CPA Michael Wanyama

**Key Entity Information and Management (continued)**

**(d) Fiduciary Oversight Arrangements**

The Board of Directors meets on quarterly basis to monitor the implementation of the Centre's planned strategy, review it in conjunction with its financial and budgetary performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. The Board held various meetings during the period under review, approved the Strategic Plan and revised Human Resource tools.

**BOARD COMMITTEES**

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board.

**(a) Audit Committee**

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Company's operations. The Head of Internal Audit is the secretary to the committee.

The Committee's responsibilities include:

- a) Considers the appropriateness of the Center's accounting policies and procedures.
- b) Monitors and assess the role and effectiveness of the internal audit function.

- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of head of internal audit.

**(b) Finance, Strategy & Planning Committee**

The Committee comprises of at least 3 members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Review and approve the Centre's budget
- b) Reviews and monitors the integrity of the Centre's annual and interim financial statements
- c) Set and monitor performance contracts for the Centre

**(c) Research & Technical Committee**

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Advising the board on all technical issues affecting the Centre
- b) Providing policy direction of Genomic Advisory Committee, laboratory processes and quality control.
- c) Deals with policy direction of research on emerging technologies and best practices,

**d) Human Resources, Administration and Marketing Committee**

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The Committee deals with:

- a) Matters relating to appointment, remuneration and resignation or dismissal of staff.
- b) Matters relating to sales and marketing of the Centre's products and services

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**Entity Headquarters**

**(e) Entity Headquarters**

Kapenguria Road, Off Lower Kabete Road  
P.O Box  
23070, 00604  
Lower  
Kabete  
Nairobi

**(f) Entity Contacts**

P.O Box  
23070 00604,  
Lower  
Kabete,  
Nairobi.

Telephone: 020-2064018, 4181325/6 DL: 020-2064027,  
Cell Phone: 0728899767/0737540670

E-mail: [info@kagrc.go.ke](mailto:info@kagrc.go.ke)  
Website: [www.kagrc.go.ke](http://www.kagrc.go.ke)

**(g) Entity Bankers**

ABSA Bank Kenya PLC  
Westlands  
Branch  
P.O. Box 14403 - 00800  
**Nairobi,**  
**Kenya**

**Key Entity Information and Management (continued)**

**(h) Independent Auditor**

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

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**(i) Principal Legal Adviser**

The Attorney General

State Law Office and Department of Justice



Harambee Avenue

P O Box 40112 - 00200




City Square, Nairobi, Kenya

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**3. The Board of Directors**

Ref	Directors	Details
1.	 <p>Prof. James Kihanga Wabacha, PhD  <b>Board Chairman</b></p>	<p>Prof. Wabacha holds a Ph.D. and a Bachelor of Veterinary Medicine degree from the University of Nairobi, Kenya, and a Master of Science degree from Free University of Brussels. He is a veterinarian by profession with vast experience in research, teaching, and public administration and management. He has vast knowledge, skills and experience in design, management and coordination of large livestock development projects and programmes in Africa Union Member States;</p> <p>He has both local and international experience in livestock development having worked in Kenya for many years in livestock development and at African Union Interafrican Bureau for Animal Resources (AU-IBAR), a technical office of the African Union Commission in charge of livestock development in Africa for over 12 years;</p> <p>From 2009 to date James has served as Technical Livestock Advisor at African Union Interafrican Bureau for Animal Resources (AU-IBAR) with a leave of absence from University of Nairobi.</p> <p>He served as Chairman, Board of Directors of the Kenya Veterinary Vaccines Production Institute (KEVEVAPI) from 2015 to September 2021 and previously served as the Chairman of the Department of Clinical Studies, Faculty of Veterinary Medicine, University of Nairobi, for six years;</p> <p>He has served in many committees and Boards at the University of Nairobi and has served as a Board member in several secondary schools.</p>
2.		<p>Ruth, an independent Director, chairs the Human Resource and Administration Sales &amp; Marketing Committee. She holds an LLB(Hons) Bachelor of Laws, Catholic University of Easter Africa, LLM (Merit) (Human Rights Law) London, Commonwealth Alumna She is a lecturer in Law (CUEA), and a consultant on Project development, Monitoring, Evaluation, Assessment and Learning (MEAL) of programs on education and women development through agriculture and table banking, Development research, Child Protection Training. Her interest is in Economic Rights,</p>



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	Ms. Ruth Nashipae Muigai	Development, Gender Law, Governance, Constitutional Law and Alternative Dispute Resolution.
3.	  Mr. John Gethi	John is an independent director of the Board and chairs the Research and Technical Committee of the Board. John is currently Director - Milk Procurement and Manufacturing - Brookside Africa Ltd. He is an Agricultural Economics graduate of University of London. He has been in farming and the agribusiness industry for almost 30 years and has held several agribusiness responsibilities spanning dairy, seed, horticulture, coffee and tea. John has also been involved in several National dairy task forces set up to tackle key issues within the industry.
4.	  Mr. George A. O. Oballa	Mr. Oballa is an independent director of the board chairing the Finance, Strategy and Planning Committee of the board. He holds a Bachelor of Commerce Degree in Business Administration/Marketing Option (Second Class Honour – Upper Divisions) from the University of Nairobi. George has a wealth of experience, having worked in various fields but mainly in the petroleum sector at Caltex Oil (K) Ltd, Agip Kenya Ltd, Shell Kenya Ltd, Oryx Oil Co Ltd (Tz). He is currently the lead consultant for Seydou Resources Ltd.
5.		Hon. Petkay Miriti is an independent and non-executive director of the board chairing the Audit Committee of the Board. Hon Miriti holds a Masters Degree in Psychology (Counselling) from Egerton University and a Bachelor of Psychology Degree from the University of Nairobi. He is a former Director of Intelligence at the National Security Intelligence Service and a former Assistant Minister of Trade and Member of Parliament for Nithi Constituency.


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<p>6.</p>	 <p>Dr. Evans Ilatsia, PhD</p>	<p>Dr.sc.agr. Ilatsia is currently the Deputy Director General in charge of Livestock Research and Development Programmes at KALRO. He has over 8 years in senior management position and has been keenly been involved in policy and administration responsibilities. <b>Dr.sc.agr Ilatsia</b> has wide experience of livestock production systems and their economics and a special interest in the definition of breeding objectives for different production systems, genetic improvement, computer simulation, genetic evaluation, experimental and observational quantitative genetics, molecular genetics, genomics, health and disease resistance, value chains analysis, development, stakeholder capacity building and business incubation. <b>Dr.sc.agr. Ilatsia</b> is an accomplished scientist who has (co) authored over 100 research publications including refereed journal articles, conference papers, technical bulletins, reports and training manuals and contributed to various policy documents. He also holds various academic supervisory roles for post graduate MSc and PhD candidates in local and international universities. He holds Bsc, Msc, Dr.sc.agr.</p>
<p>7.</p>	 <p>Mr. Robert W. Gatonga</p>	<p>Mr. Robert Wanyondu Gatonga is a representative of the Principal Secretary of The National Treasury to the board. He is a member of the Finance Human Resource and Administration and the Audit Committees of the Board. Mr. Gatonga is currently a Resource Mobilization Officer at the National Treasury. He has previously worked with the State Department of Statistics and Planning as a District Development officer. He is currently charged with mobilizing domestic and external resources for financing national and county budgetary requirements and undertake bilateral and multilateral negotiations relating to grants and loans. He has vast experience in formulation of development plans and financial budgets. He is also an ICT expert especially in software and database management systems.</p>
		<p>Dr. Margaret Nafula Makelo (PhD), is currently the Director, Knowledge Management, Technology Transfer and Capacity Building in the Ministry of Agriculture and Livestock Development, State Department for Crops Development and Agricultural Research on secondment.</p>

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8.	 <p>Dr. Margaret Makelo, PhD</p>	<p>Dr Makelo is a plant breeder PhD (pigeonpea breeding) graduate from the University of KwaZulu Natal, South Africa. She has a MSc in Plant Pathology and BSc Botany/zoology from the university of Nairobi. Dr Makelo has worked for Kenya Agricultural and Livestock Research Organization (KALRO) for over 30 years starting as a plant pathologist at KALRO Kisii then later as a program Officer (Technology Packaging and Transfer), and Assistant Director (Technology Transfer) at KALRO Headquarters, Nairobi. She has served in various committees as a science editor, in task forces, as AWARD mentor for KALRO, as principal coordinator of various projects. She has published widely in refereed journals, conference proceedings, book chapters, and co-authored booklets and training manuals.</p>
9.	 <p>Dr. Obadiah N. Njagi, PhD, OGW</p>	<p>Born on the 12<sup>th</sup> day of December 1963, Dr. Njagi has served in the Directorate of Veterinary Services, State Department for Livestock in various capacities for over 30 years since graduating from the University of Nairobi with a Bachelor of Veterinary Medicine in 1988. He holds a Master's degree in veterinary pathology and a PhD in veterinary immune-parasitology from the University of Nairobi and Technical University-Dresden, Germany. He has authored several publications in veterinary science and has undergone several capacity developments, public policy and leadership trainings. He has served as Director in several Boards of state corporations; Pest Control Products Board, Pharmacy and Poisons Board, Kenya Meat Commission, Kenya Tsetse and Trypanomiasis Eradication Council, Veterinary Medicines Council and the New KCC. He has contributed significantly in development of the veterinary service both in Kenya and the EA region. He is most credited for his focused leadership in the national roll-out of the East Coast fever vaccine and development of the Mutual Recognition Process (MRP) for registration of immunological veterinary products (IVPs) in the EAC. He is currently the Director of Veterinary Services/Chief Veterinary Officer, official delegate for Kenya to the World Organization for Animal Health (OIE) and the Chairman, Veterinary Medicines Directorate Council (VMDC). He hails from Embu County and is a father of one</p>

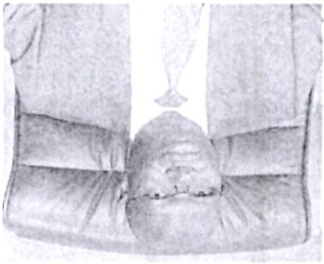


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		daughter.
10	 <p>Dr. David Kios, PhD, OGW, HSC</p>	<p>Dr. David K. Kios – Managing Director Kenya Animal Genetic Resources Centre is a holder of Bachelor of Veterinary Medicine from University of Nairobi, a Master of Science in Animal Breeding from the University of Pretoria, Republic of South Africa and a PhD in Theriogenology (Animal Production) from the University of Nairobi. He is in charge of day to day running of the Centre’s activities and is the Secretary to the Board. He also serves as a Director at Action Aid and a member of the Board of Management of Kipture High School. He has extensive knowledge in research and development gained at the University of Eldoret.</p>




**Board Committees**

<b>Name of the Committee</b>	<b>Members</b>
Finance, Strategy and Planning	<ol style="list-style-type: none"> <li>1. Mr. George Oballa - Chairperson</li> <li>2. Mr. Robert Gatonga</li> <li>3. Dr. Margaret Makello</li> <li>4. Dr. Obadiah Njagi</li> </ol>
Human Resource, Administration & Extension Committee	<ol style="list-style-type: none"> <li>1. Ms. Ruth Muigai - Chairperson</li> <li>2. Mr. John Gethi</li> <li>3. Mr. Petkay Miriti</li> <li>4. Mr. George Oballa</li> </ol>
Research & Technical Committee	<ol style="list-style-type: none"> <li>1. Mr. John Gethi - Chairperson</li> <li>2. Dr. Evans Ilatsia</li> <li>3. Dr. Obadiah Njagi</li> <li>4. Dr. Margaret Makello</li> </ol>
Audit Committee	<ol style="list-style-type: none"> <li>1. Mr. Petkay Miriti - Chairperson</li> <li>2. Mr. Robert Gatonga</li> <li>3. Ms. Ruth Muigai</li> <li>4. Dr. Evans Ilatsia</li> </ol>




4. Key Management Team

Management	Details
<p>1.</p>  <p>Dr. David K. Kios, PhD, OGW, HSC BVM (UoN), MSc. (UP), PhD (UoN)</p>	<p>Dr.Kios is the Managing Director. He is responsible for the implementation of Centre's objectives and strategies for the realization of its goals. He is also responsible for the day to day running of the Centre's activities and is the Secretary to the Board.</p>
<p>2.</p>  <p>Dr. Rosellyne Wambu, OGW BVM (UoN), MVEE (UoN)</p>	<p>Dr. Wambu is the Director Research &amp; Technical Services. Her duties involve coordinating the design and management of current and upcoming breeding technologies, semen production and quality control</p>
<p>3.</p>  <p>CPA, Faith K. Acita CPA(K), B.Com (Fin) (SPU), MBA Strategic Management (JKUAT)</p>	<p>CPA Faith is the Director, Corporate Services. She's responsible for advising management on policies and strategies that relate to Finance &amp; Accounts, human resource &amp; administration to ensure optimal utilization and management of organisation's resources.</p>

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<p>4.</p>	 <p>Dr. Paul Egesa BVM (UoN)</p>	<p>Dr. Egesa is the Director, Extension Services. He is responsible for marketing KAGRC products &amp; services, corporate communication &amp; branding and extension services.</p>
<p>5.</p>	 <p>Mr. David Kiptanui Sang Bachelor of Philosophy in Applied Biology (TUK), MBA (Strat Mgt) Kirinyaga University</p>	<p>Mr. Sang is the Head of the Directorate of Strategy and Planning. He is responsible for Strategic planning, performance management, ICT and quality assurance in the Centre.</p>
<p>6.</p>	 <p>Dr. James Mbuchu BVM (UoN), MSc</p>	<p>Dr. Mbuchu is the Centre Manager, Dairy Goat AI Centre in Kirinyaga. He is in charge of the day to day management of the Centre.</p>

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<p>7.</p>	 <p>CPA Michael Oduor Wanyama B.Com, CPA(K), CISA</p>	<p>Michael is the head of Internal Audit. He is responsible for reviewing the internal control systems, verifying operations and activities on the utilization of Centre's resources, preparation of audit reports and follow up on the implementation of audit recommendations.</p>
<p>8.</p>	 <p>Mrs. Lucia Koskey Bed, MBA (HRM) (UON)</p>	<p>Mrs. Koskey is the Manager, Human Resource and Administration. She is responsible for effective organization and administration of the human resource management, development of appropriate human resource policies for effective performance and productivity, human resource planning, advising on proper deployment and succession management.</p>
<p>9.</p>	 <p>Ms. Naomi Jeptoo Bachelor of Purchasing &amp; Supply Management, MSc. Procurement &amp; Logistics. (JKUAT)</p>	<p>Ms. Naomi Jeptoo is in responsible for implementing efficient and effective systems for the acquisition of goods and services, preparation of annual procurement plans, issuance of goods as well as disposal of assets.</p>

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10.	 <p>CPA Silas Osundwa Senior Accountant CPA (K), CS, MSc. (Devt Fin) KCA, B.Com (Finance) (KCA)</p>	<p>Silas is the Head of Finance and is in charge of budget and budgetary control, working capital management, financial reporting and ensuring sound accounting and financial management systems.</p>
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## 5. Chairman's Statement



Ladies and Gentlemen; On behalf of the KAGRC Board of Directors, I am pleased to present to you the Annual Report and Financial Statements of the Kenya Animal Genetic Resources Centre (“KAGRC” or the “Centre”) for the Financial Year ended 30th June 2023. The year presented an array of opportunities for the Centre to cement it’s position as the leading producer of superior animal genetics, despite the challenges in the sector. As a Board, we took the challenges in our stride and offered policy direction.

These results cover the period the country went through an election that saw a transition that ushered in a new government, that came with a new economic model, the Bottom-up Economic Transformation Agenda (BETA). As a government entity performing a national mandate, we will anchor our strategies and policies to the economic model to ensure success of the dairy value chain. It is also during this period that all economies are recovering from the Covi-19 pandemic, which had far reaching negative impact on all sectors of our economy.

During the FY 2022/2023, the Board set out to leverage on the 4 strategic objectives as outlined in the KAGRC Strategic plan 2018 / 2022 i.e; increase capacity for germplasm production, strengthen institutional capacity, infrastructure development and legal framework, expand market share of KAGRC products and strengthen financial base and strengthen research innovation and development in animal genetic resources. KAGRC accomplished remarkable progress in the first 3 strategic objectives which are in line with BETA. We have initiated the process of preparing a new Strategic Plan for the period 2023 – 2027 that has identified four Key Result Areas, namely: Livestock Sector Productivity Improvement; Market Access & Trade; Institutional Capacity, Infrastructure Development & Legal Framework and Research, Innovation and Collaboration. This is expected to be complete by end of this calendar year.

In terms of semen production, KAGRC was able to maintain semen production and processing at about 803,964 straws, even though this is sub-optimal and we are confident to hit our target of

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1.1 million straws in the subsequent year. I am happy to report that the construction of Dairy Goat A.I. Centre is at AHITI Ndomba which is being financed fully through GoK grants is now operational and in the year under review we produced 27,634 doses of buck semen which we are now distributing to farmers. This project signifies our commitment to diversity in provision of high quality genetic material for social economic development. The project is expected to contribute immensely to the livelihoods of small scale farmers especially youth and women who can easily venture into dairy goat farming.

To ensure services are taken nearer to the people, KAGRC has devolved its functions by opening satellite Centres in Ndomba, Eldoret, Nyahururu, Chuka and Sotik to function as distribution Centers for KAGRC products and services. In line with this strategy, the Centre is constructing an embryo transfer laboratory in Lower Kabete and hopes to put up liquid nitrogen distribution and production centres in Mariakani and Kakamega, in the near future. The Centre entered into partnerships and signed MOUs with several county governments for the supply of semen, liquid nitrogen, artificial insemination equipment and offer refresher training on safe handling of semen and liquid nitrogen. In the year under review, KAGRC recruited five additional agents in potential areas where there were no agents as a way to expand its market share and increase its financial base.

The draft KAGRC bill which is expected to enhance the Centre's legal status is at an advanced stage. Little however, was accomplished in strengthening research innovation and development in animal genetic resources since this will require improving on current staff strength to hire more researchers and attract funding for research and innovation, something the Board has committed to achieving in the near future.

Despite the achievement highlighted above, the Centre had some challenges during the year that included; in adequate financial resources to carry out all projected activities, low staffing levels and the freeze on employment by the government and lack of land titles for lands currently occupied by KAGRC and whose titles have not been transferred to KAGRC. The Centre is poised for greater achievements despite the challenges above. In line with our strategic plan 2023 – 2027, KAGRC will leverage on its gains to continue increasing market share through spreading

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to other area of the country to market its good and services. The organization will also diversify to offer genetics in other animal species e.g. poultry, pigs, camels etc in line with its mandate. KAGRC will also strengthen research in collaboration with other research institutions to improve on its breeding technologies and extension services. Conservation, particularly cryo-conservation is a very important aspect of KAGRC mandate. The organization will seek to engage other stakeholders to start ground work in this critical area with a view to starting off with a few species and later expanding to other animal species.

All the above outlined activities will require huge resources that may not be available at once, but the organization will continue to engage with the government and other stakeholders to mobilize resources in order to finance its operations and meet its objectives. It is also critical to note that almost all of KAGRC's functions are aligned to the government's BETA model in the livestock value chain.

I am grateful to the management and staff for their dedication in service delivery and as the Chair I assure them of the Board's commitment to walk this journey with them to achieve set targets. I am equally grateful to the government for the support in ensuring we serve the farmers as per our commitment in the contract between the government and ourselves. I wish to also express my sincere gratitude to my fellow Board members for the teamwork and support in FY 2022/23. Let us keep the team spirit in the new FY 2023/2024. It is my prayer that this year will be even better.


**God Bless KAGRC. God Bless Kenya.**

Thank You All

Signed.....

Prof. James K. Wabacha, OGW

Chairman – KAGRC Board of Directors.

Date.....

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

The Kenya Animal Genetic Resources Centre (KAGRC) set out in its FY 2022/2023 plan to consolidate the gains attained in previous years since its inception in 2011 and also transform itself into a more efficient and effective State Corporation as envisioned in its strategic plan. The Centre focused on four objectives as stipulated in the strategic plan 2018/2022 namely;

### **Increase capacity for germplasm production and preservation,**

KAGRC set out to put up modern laboratories, equip them, rehabilitate bull housing and calf rearing unit, recruit breeding bulls, undertake genomic evaluation amongst others. For the activities planned for FY 2022/2023, KAGRC managed to process 803,964 straws of bull semen against a target of 1.1 Million. The Centre also produced 27,634 doses of Goat Semen on its first year of production. 26 bulls were genetically evaluated against a target of 10 while twelve (12) bulls were recruited for semen production against a target of twelve (12). Fifty-two (52) bucks were recruited against a target of 48. Additionally, 269,044 litres of Liquid Nitrogen were produced and distributed for semen preservation and a new goat A.I. Centre completed and is now operational in Kirinyaga Ndomba to offer diversity in species germplasm. This is a landmark achievement and KAGRC will leverage on this to increase its capacity to promote farmers with germplasm for other animal species. In addition, KAGRC has lobbied for more funding to initiate its capacity in Cryo – preservation of germplasm as per its mandate. At present, the organization has increased its strategic semen reserve from 372,652 straws to 444,436 straws, thus achieving its target for the year.

### **To strengthen institution capacity infrastructure development and legal frame work,**

KAGRC has devolved its functions to offer products and services at its satellite centres in Ndomba, Eldoret, Nyahururu, Chuka and Sotik. Additional vehicles and farm machinery (where necessary) will be procured very soon to facilitate operations in these areas. Farmers are now able to get products and services more efficiently. In addition, KAGRC maintained collaborations with 23 county governments and 63 agents for the purpose of distribution of its products. 3 new agents were recruited and 44 farmers' field days held to educate farmers against a target of 17 field days. All this was achieved due to improved funding from the exchequer and improvement in sales of KAGRC products and services. I am extremely grateful for the government support.

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**Expand market share of KAGRC products and strengthen financial base,**

KAGRC was able to consolidate its market share by selling 441,536 straws of bull semen for use by inseminators compared to 479,776 straws the previous. The drop in sales was attributed to drought in some parts of the country. In addition, KAGRC lobbied and attracted funding from the government to a tune of 75 million to complete Phase 1 of the project that entailed construction of the Goat A.I. in Ndomba and purchase farm machinery and equip the labs. An additional Ksh 75 million grant was received from the government for putting up an embryo transfer (ET) laboratory and semen sexing facility. The project is expected to be completed in the 2023/2024 FY. The impact of the project will be felt by farmers in the subsequent financial year once the calves are born.

**Strengthen Research, Innovation Development in animal Genetic Resources**

KAGRC accomplished little during the year as this will require hiring of more staff and funding to carry out Research in collaboration with other institutions as per its mandate. Cryo – preservation is particularly important and efforts are being put in place to explore ways in which to attract donors to help fund this critical aspect of KAGRC mandate.

Low funding and lack of adequate staffing levels in critical areas continue to harbor KAGRC's ability to realize its goals. It is hoped that this area will be given the necessary attention in order to properly align KAGRC operations with its mandate and objectives as outlined in its strategic plan 2018 – 2022.

Some of the areas that need urgent funding include: -

1. Construction and equipping of modern laboratories.
2. Construction of the bull housing.
3. Improvement on infrastructure including fencing as per quarantine requirements stipulated in WHOA regulations.
4. Establishment of nuclear herds for embryo transfer technology.
5. Acquisition of semen sexing facilities and staff capacity building on the same.
6. Staff housing as per WHOA regulations.
7. Increase capacity for Cryo – preservation and train staff in conservation.

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It is hoped that KAGRC will achieve all the above in line with its Strategic plan 2023 – 2027 which is being developed. It is an ambitious, achievable and necessary tool for the development of the livestock sector in the Country.

Signed.......... Date.....24/01/2024.....

Dr. David K. Kios, PhD, OGW, HSC  
Managing Director

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**7. Statement of Performance against Predetermined Objectives for FY 2022/2023**

**KAGRC'S PERFORMANCE AGAINST IT'S STRATEGIC OBJECTIVES FOR FY 2022/2023**

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1) To increase capacity for germplasm production, preservation and conservation	i). Enhance germplasm production technology	1 modern laboratory renovated	Renovation of 1 laboratory	Renovations ongoing
		Equipped and functional laboratories	Equipping of the laboratories	Ongoing
		No. of bulls recruited and maintained	Recruit breeding bulls population	36 breeding bucks recruited and maintained. 10 breeding bulls recruited and 115 maintained.
		Genomic Evaluation Report	Undertake genomics evaluation to establish animal breeding values	8 Breeding values of KAGRC bulls established.
	Goat AI centre	Enhance germplasm diversity to include other species e.g. goat	Goat AI Centre under construction at AHITI Ndomba.	
	ii). Enhance germplasm preservation and conservation capacity	No of plants installed and commissioned	Procure and install 4 liquid nitrogen plants	184,312 litres of liquid nitrogen availed
		6 germplasm storage tanks acquired	Acquire 6 germplasm storage containers	Two large 400,000 straws capacity for germplasm storage in place
Facility		Establish a facility for cryo-conservation.	One facility for cryo-conservation put in place	
2) Strengthen Institutional Capacity, infrastructure	i). Anchor KAGRC in an Act of Parliament to give it legal status	Title deeds acquired	Apply for title deeds for KAGRC lands	KAGRC lands Title deed being followed up
		KAGRC Act	FastTrack the KAGRC Act	KAGRC Bill in draft form before parliament(anchored in the Livestock

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
development and legal framework				Bill)
	ii). Develop internal policies for various departments.	Policies in place	Develop and Present policies to the Board for approval	6 KAGRC policies already developed and approved
		ISO 9001: 2015 attained	Transit from ISO 9001:2008 to ISO 9001:2015/ ISMS	Transition of QMS ISO 9001:2008 to ISO 9001:2015 completed
		Reviewed strategic plan monitoring reports	Review and monitoring of the strategic plan	KAGRC Strategic Plan 2018-2022 reviewed.
		PC reports and monitoring reports	Development and Monitoring of performance contracting	Monitoring of PC being done. KAGRC is awaiting evaluation by the PSPMMU
		Business continuity plan developed	Establish a business continuity plan	Business continuity plan being developed.
		iii). Improve infrastructure development.	Rehabilitated buildings, internal roads and paddocks	Rehabilitation of internal road network, bull paddocks and buildings
	Bio-security facilities in place		Construction of bio-security facilities as per OIE standards	Compliance with OIE standards on bio-security
	Water reticulation system in place		Rehabilitate water reticulation system	Water reticulation system has been rehabilitated
	Office and ICT equipment purchased.		Purchase of office, ICT equipment & Software	Office and ICT equipment procured thus Improved work environment and communication
	Various farm machinery purchased		Purchase of vehicles & farm machinery	Vehicles and farm machinery procured

## **8. Corporate Governance Statement**

At the Centre we are committed to the highest level of corporate governance which is critical to our business philosophy and to maintaining stakeholders trust. Our corporate governance policy functions as an inbuilt self-regulating mechanism, which provides the framework to monitor and ensure statutory compliance, foster a culture that values and rewards the highest level of ethical standards and personal integrity. The Centre strives to ensure that the Board, management and staff act with integrity, honesty and professionalism at all times.

The Board's operations are guided by a service charter that is reviewed from time to time in line with changing dynamics, with input from relevant agencies. All board members undertake an evaluation at the end of every financial year with guidance from the State Corporations Advisory Commission (SCAC). The Board is comprised of four independent members and three representatives of the Director General, Kenya Agricultural & Livestock Research Organization (KALRO), the Principal Secretaries, Ministry of Agriculture & Livestock Development and The National Treasury.

The board comprises of representatives of various interest groups who contribute expertise and judgement, based on their professional qualifications and business expertise. The Board reflects a diversity of background and experience. Newly appointed board members always undergo an induction. In 2022/23 FY, members of the Audit Committee attended a five-day training organized by the Institute of Certified Public Accountants of Kenya (ICPAK) that helped build capacity within the board. The entire Board also attended an induction facilitated jointly by the State Corporation Advisory Commission (SCAC) and the Institute of Certified Secretaries (ICS).

The board's remuneration is as guided by the SCAC. The board maintains a conflict of interest register that is always filled by the members, with no conflict declared in FY 2022/23. The responsibility on government agencies is to promote high standards of integrity, demonstrate leadership through their own actions and through documented policies and procedures, and identify and address unacceptable practices. This involves actions by both the organisation and individuals. The Centre ensures strict adherence to the code of ethics and other internal policies and procedures without deviation. The Centre has set out an ethical culture and values at the organisation level, and implements those values through policies and codes of practice.

The heads of departments are required to demonstrate those values through leadership, to positively reinforce the values and also to ensure compliance with, and enforcement of, the values. KAGRC staffs are conscious at all times of the need to uphold the highest standards of conduct in their dealings with the public, which includes acting with integrity and avoiding conflicts of interest.

The Board has the overall responsibility for the establishment and oversight of the centre's risk management frameworks. Risk management policies are established to identify and analyse risks and set mitigation mechanisms to reduce occurrence. This is achieved through in-house risk review enhanced by internal and external audits.

The board is satisfied that the Centre has to the best of its knowledge complied with all the relevant laws and conducted its affairs in accordance with law in particular the State Corporation Act and the Legal Notice No.110. Further disclosures on compliance are set out in the statement of the board of director's responsibilities and notes to the financial statements.

## **9. Management Discussion And Analysis**

The main mandate of Kenya Animal Genetic Resources Centre is to establish a national livestock resources gene bank for conservation of livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species for the purposes of breeding, research and posterity. To achieve this, KAGRC has undertaken relevant far-reaching developments and procedures for the last three years as per its strategic plan, medium plan budget, annual performance contracting plans and Public Finance Management Act.

### **Revenue**

In the year under review, the Centre received Ksh 62 Million as recurrent grant and Ksh 101.25 Million as development grant. 50% of grants were not received because of the austerity measures that were undertaken by the government hence leading to delayed completion of the Emryo Transfer project. The Centre was able to generate Ksh 248.2 from sales of Semen, Liquid

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Nitrogen and A. I. Equipment. The depressed revenues are attributed to the effects of drought and competition from the private sector.

**Table of Revenue generated over the last four years in Kshs**

<b>REVENUE</b>	<b>2022 - 2023</b>	<b>2021 - 2022</b>	<b>2021 - 2020</b>
SEMEN SALES	92,123,650	105,290,475	166,477,115
L/ NITROGEN	37,964,165	43,082,630.00	57,978,100
A.I. EQUIPMENT	11,069,200	9,978,409	10,239,284

**Recurrent Expenditure**

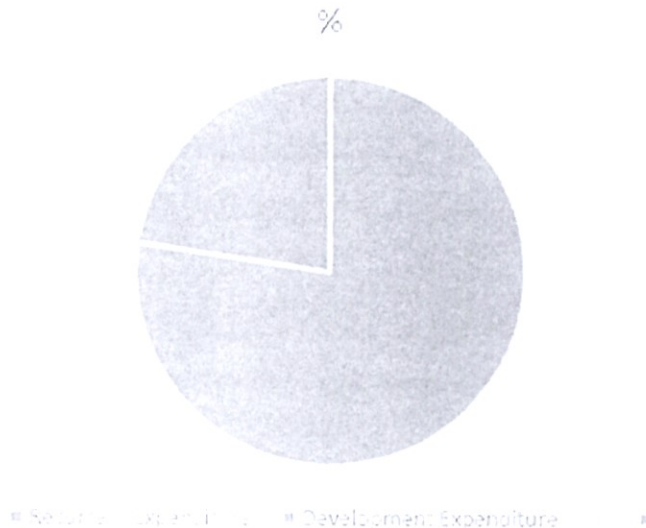
To run its operations, the Centre spent Ksh 167 Million to cater for staff salaries, staff insurance and medical cover and payment of pensions and gratuity. It also spent Ksh 175 Million to cater for administrative expenses incurred in the year under review. Some of these expenses are Transport expenses, Travel and Subsistence, Electricity and Water, Marketing and Advertisement and Bull recruitment and maintenance among others.

**Development Expenditure**

Within the period, KAGRC launched the construction of Goat Artificial Insemination Station for a projected cost of Ksh 500 million for introducing a new germ plasm material to the Kenyan farmer. The Centre recruited 57 superior quality bucks from renowned Goat dairy farms to kick start the harvesting of semen in the year under review. The project that is to be launched in this financial year will impact positively about 300,000 small scale farmers who will find it affordable engaging in Goat Dairy farming.

In 2022, the Centre launched the construction of an Embryo Transfer project that is expected to accelerate the development of the livestock sector in the country. The project is expected to cost Ksh 100 million to completion and operationalization. The project that is a Work In Progress has so far consumed Ksh 50 million. It will drastically reduce the time taken by farmers to get their desired breeds hence an upsurge in milk and meat produced in the country.

**Pie - Chart showing KAGRC's expenditure in the FY 2022/2023**



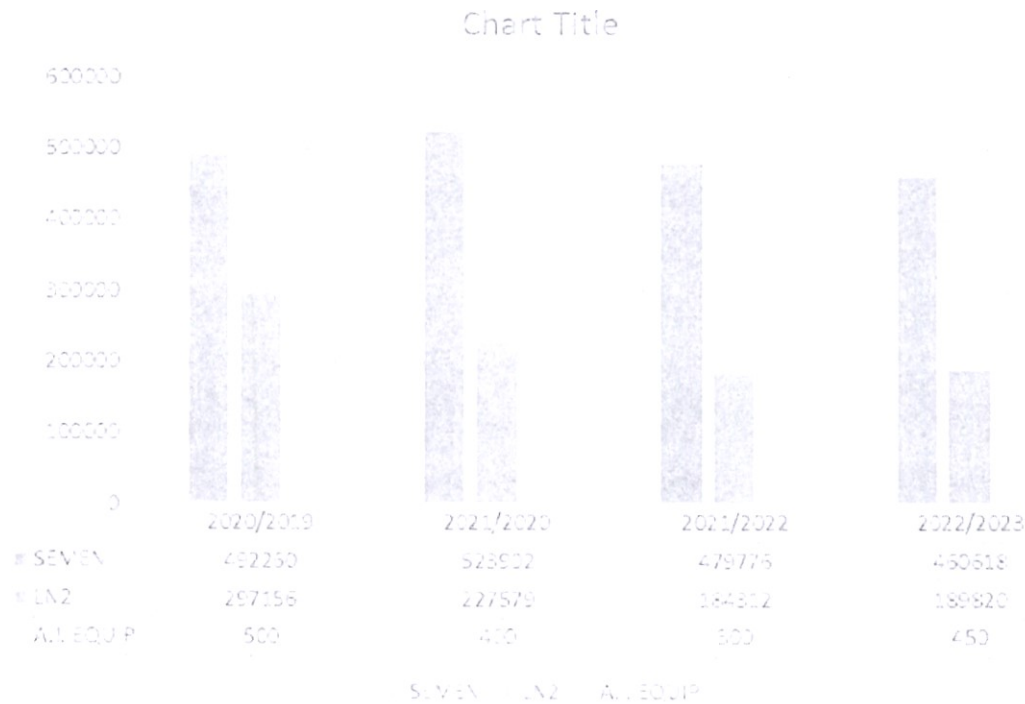
### **Statutory Compliance**

The Centre has endeavoured to conform to all relevant laws and regulations and circulars related to State Corporations. These include Public Procurement and Disposal Act, regulations and rules that require adherence to the procurement plan, submitting the plan to PPRA by 31st August and quarterly procurement plan implementation reports to the Authority in the format provided. Remittance of Statutory Deductions which include payment of HELB, PAYE, NHIF, NSSF, NITA and Income Tax Company is always prompt and on time - Strategic Plan 2018 - 2022

### **Production**

The Centre had targeted to distribute 1.1 million straws of semen and 400,000 litres of liquid nitrogen for Artificial insemination in the country, but managed 441,536 and 227,579 respectively. These targets were not met due to a number of challenges key among them being breakdown of the liquid nitrogen production plants, influx of cheap imported semen and effects of climate change in the financial year.

**Graph of production of Semen and Liquid Nitrogen over the last four years**



Kenya Animal Genetic Resources Centre 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. Below is an outline of the organisation's policies and activities that promote sustainability.

## 10. Environmental and Sustainability Reporting

### i) Sustainability strategy and profile

The Centre recognises that the institution's social, environmental and ethical conduct has an impact on its reputation and sustainability. The Centre's relationship with its stakeholders is guided by its commitment to integrity, professionalism and inclusiveness. Accordingly, we are committed to ensuring that each person and entity collaborating with the Centre is treated with dignity and respect, and is given an opportunity to contribute to the Centre's success. We strive to maintain a productive and open dialogue with all parties who may have an interest in our

activities. We conduct regular customer satisfaction surveys, monitor suppliers and customers' performance and actively encourage feedback from our employees using a variety of methods including employee satisfaction survey.

**ii) Environmental performance**

The Centre has in place an Environment, Health and Safety Committee whose main mandate is to develop and constantly review the Centre's environment sustainability policy and also advice the management on matters relating to the impact of the Centre's operations on the environment. During the year under review, the Centre in collaboration with Equity Bank planted 10,000 trees to help conserve the environment. The Centre has also engaged the National Environmental Management Authority to help in waste disposal when changing its roofs from asbestos to the ordinary type. It is a costly exercise but will eventually be completed. An incinerator has been put up in the Centre to handle waste disposal in line with best practices.

**iii) Employee welfare**

The Centre has robust human resource policies and manuals that guide its engagement with staff, right from recruitment to separation taking into consideration gender, regional, socio-cultural diversity. In due course, the instruments will be reviewed to conform with the changing work dynamics. There is also continuous engagement with National Council for Persons With Disability to ensure PWDs are fully accommodated within the Centre.

The Centre created awareness on drug and substance abuse to staff, and undertook HIV/AIDS sensitization, testing and counselling. The Centre also has a comprehensive medical cover that includes health talks to our staff. The Centre has continually facilitated staff to undergo Continuous Professional Development (CPD) to help improve their skills and careers. Annual staff performance appraisals are undertaken to improve productivity with best employees being rewarded on merit. The Centre ensures compliance with the Occupational Safety and Health Act of 2007, (OSHA).

**iv) Market place practices-**

Diversity in our workforce and supply base helps foster the kind of innovation, sensitivity and vitality that enables us to effectively deliver our services. We embrace diversity across all levels of our collaborations and act on any feedback that improves our service delivery. During the financial year under review, the Centre recognized the need to act responsibly and constructively as a member of the surrounding communities.

The Centre appreciates the need to act responsibly within the industry. There is in place a corruption prevention committee that among other things helps control unethical behaviour among staff. So far, no member of staff has been dismissed on the basis of any vice. Internal control mechanisms are in place to ensure compliance of all corruption prevention advisories.

The Centre strives to maintain good business practices by treating its suppliers responsibly through honouring of contracts as and when they fall due. To fulfil the government's Access to Government Procurement Opportunities pledge, the Centre has committed in its Performance Contract to ensure Women, Youth and Persons With Disabilities get their share of procurement opportunities by committing 30% of all its procurement budget to AGPO group.

We continually embrace ethical business practices that guarantee product and service quality to our customers through memoranda and contracts signed with our business partners. Our quality control department conducts quality assurance checks every year. One such exercise was undertaken in the year under review and customers given results.

**v) Corporate Social Responsibility / Community Engagements**

In the year under review, the centre, in partnership with other organizations helped drill a borehole in Meru County and also put up a class room in Kwale County. Going forward, the centre will continue participating in such more activities that help transform lives in various parts in the country. The Centre also gives priority to locals whenever employment opportunities arise, based on merit.

Kenya Animal Genetic Resources Centre 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

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excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

**11. Report of The Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Centre's affairs.

**Principal activities**

The principal activities of the Centre are contained in page one.

**Results**

The results of the entity for the year ended June 30<sup>th</sup>, 2023 are set out on pages 1 to 9

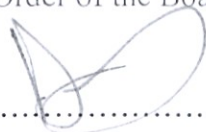
**Directors**

The members of the Board of Directors who served during the year are shown on page ix.

**Auditors**

The Office of the Auditor General is responsible for the statutory audit of the Centre in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Centre's financial statements for year ended 30<sup>th</sup> June 2023 were audited by the Office of the Auditor General.

By Order of the Board



.....  
**Dr. David K. Kios, PhD, OGW, HSC**

**Managing Director/Secretary to the Board**

## **12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and section 14 (3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the Centre's financial statements, which give a true and fair view of the state of affairs of the Centre for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Centre; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, and the State Corporations Act Cap 446. The Directors are of the opinion that the Centre's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2023, and of the Centre's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

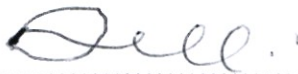
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Nothing has come to the attention of the Directors to indicate that the Centre will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Kenya Animal Genetic Resources Centre's financial statements were approved by the Board on **28th September 2023** and signed on its behalf by:



.....  
**Prof. James K. Wabacha, OGW**  
**Chairperson of the Board**

Date..... 24/01/2024



.....  
**Dr. David Kios, PhD, OGW, HSC,**  
**Managing Director**

Date..... 24/01/2024

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13. Report of the Auditor General for the Financial Statements of Kenya Animal Genetic Resources Centre.

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# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Kenya Animal Genetic Resources Centre set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting

policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Animal Genetic Resources Centre as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Legal Notice No.110 of September, 2011 and the Public Finance Management Act, 2012.

## **Basis for Qualified of Opinion**

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

The statement of financial position, and as disclosed in Note 20 to the financial statements, reflects a property, plant and equipment balance of Kshs.536,443,591. The following anomalies were noted; -

#### **1.1 Lack of Ownership Documents**

The balance excludes seven (7) parcels of land of unknown value, measuring approximately 168.442 hectares as detailed below: -

<b>No.</b>	<b>LR. No.</b>	<b>Location</b>	<b>Approximate Land Size (Hectares)</b>
1.	L.R No. 22380/26	Veterinary headquarters - Lower Kabete	89.47
2.	L.R No. 23362	Artificial Insemination - Lower Kabete	47.47
3.	L.R No. 2337515	Hayfield -	22.65
4.	L.R No. 23943	Borehole - Ndumboini	0.030
5.	L.R No. 26536	Staff houses - Lower Kabete	0.198
6.	L.R No. 22380	Veterinary Hayfield -	5.0
7.	L.R No. 22387	AHITI Kabete	3.624

The ownership documents for these parcels of land were not provided for audit review.

#### **1.2 Failure to Maintain a Complete Fixed Asset Register**

Review of the fixed asset register provided for audit revealed that the register did not contain the cost, depreciation and net book values for the Centre's fixed assets. In addition, the officers who prepared and reviewed the asset register did not sign to own the document.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.536,443,591 could not be confirmed.

## **2. Unsupported Biological Assets**

The statement of financial position reflects biological assets balance of Kshs.14,046,231 as disclosed in Note 22 of the financial statements. The balance at the beginning of the year as disclosed in the Note was Kshs.12,386,631. However, detailed schedules on the movement of the assets was not provided for audit.

In addition, included in the biological assets balance are two (2) bucks. However, the bucks, one valued at Kshs.10,000 and the other one whose value was unknown have not been registered with the Kenya Stud Book, Contrary to Rule 3(c) of the rules of the Kenya Stud Book, 2022. The Centre has not provided any evidence to ascertain the process of registration is ongoing.

In the circumstances, the accuracy and completeness of the biological assets balance of Kshs.14,046,231 could not be confirmed.

## **3. Unsupported Transfers from the State Department for Livestock Development**

The statement of financial performance, and as disclosed in Note 6 to the financial statements, reflects transfers from other Governments amounting to Kshs.163,250,000 being GoK grants from the Ministry of Agriculture and Livestock. Included in this amount is grants totalling to Kshs.34,250,000 received from State Department for Livestock Development. However, the State Department for Livestock Development financial statement submitted for audit reflects transfers totalling to Kshs.36,250,000 resulting in an unreconciled variance of Kshs.2,000,000.

In the circumstances, the accuracy and completeness of the grants totalling to Kshs.34,250,000 received from State Department for Livestock Development could not be confirmed.

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **1. Unauthorized Operating of Bank Accounts**

Analysis of cash and cash equivalents balance as disclosed in Note 17 to the financial statements revealed that the entity operates three (3) bank accounts at ABSA Bank Westlands branch. However, the authority to open and operate the bank accounts from The National Treasury was not provided for audit verification. This is contrary to Section 28(1) of the Public Finance Management Act, 2012 which requires The National Treasury to authorize the opening, operating and closing of bank accounts and sub-accounts for all National Government entities.

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

### **2. Board of Directors**

#### **2.1 Failure to Rotate Board Committee Members**

The Board committee members in Finance, Strategy and Planning committee, Audit Committee, Human Resource Committee, Administration and Extension Committee, and Research & Technical Committee members were the same as those in the last financial year. This was contrary to Circular No. OP/CAB.9/1A of 11 March, 2020 on the Establishment of Board Committees which states that; the committee members shall serve for a continuous period of up to twelve (12) months, and thereafter be subject to rotation except for The National Treasury and Parent Ministry representatives.

In the circumstances, the Board is in breach of the Circular on the Establishment of Board Committees.

#### **2.2 Lack of a Financial Expert in the Board**

The board did not have a board member who is a financial expert and a bona-fide member of a professional body regulating the accountancy profession as guided by the law. This was contrary to Mwongozo Principle 1.1(6) on the appointment of Board Members which states that at least one Board member should be a financial expert, meaning that he or she has the necessary qualifications and expertise in financial management or accounting and is a bona-fide member of a professional body regulating the accountancy profession, and in compliance with the requirements thereof.

In the circumstances, the Board is in breach of Mwongozo guidelines.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the

audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

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

### Basis for Conclusion

#### 1. Weak IT Internal Control Systems

Review of the IT internal control systems of the Centre revealed the following:-

- i. The documented IT security policy in place is not approved.
- ii. The entity is still using manual receipt books in the sale of semen and Artificial Insemination Equipment, and manual recording of key items like Liquid Nitrogen production.
- iii. The entity does not utilize ICT in monitoring the performance of the organization in various departments and stations.
- iv. The ERP system for the Animal Traceability and E-breeding modules is only accessible in headquarters and inaccessible to users at the sub-centers. Further, the ERP system has not been fully implemented since it was launched in September, 2014.
- v. The entity uses a Kenya payroll system which is a stand-alone application to process salaries. The system runs on an outdated operating system – Windows XP that is more than 10 years old and it has never been reviewed or updated since then.

In the circumstances, the effectiveness of the IT internal control systems is compromised, and the Centre operations are at risk of being affected in case of a disaster.

#### 2. Understaffing at the Resource Centre

Review of the Centre's approved staff establishment indicated that one hundred and seventy-one (171) employees as the optimal number for effective functioning of the Centre. However, examination of the documents provided for audit, including the personnel files and payroll, revealed that the Centre only has one hundred and one (101) staff members, resulting in a deficit of seventy (70). In addition, during field visits in Sotik, Eldoret and Kirinyaga in the month of December, 2023, it was observed that the three (3) stations had one technical staff each who would perform various tasks. Further, the three (3) stations also lacked an Accounts Clerk to collect and account for funds during the sale of semen and liquid nitrogen.

In the circumstances, the under-established staff could affect delivery of goods and services to the public.

### **3. Lack of Guidelines on Semen and Artificial Insemination (AI) Equipment Donations**

During the year under review, analysis of inventories records provided for audit revealed that the Board of Directors gave donations of semen and AI equipment in Eldoret and Kirinyaga stations to other entities during extension and marketing services events. It was not clear how these inventories were authorized and expended as well as the criteria used to pick the selected beneficiaries.

In the circumstances, weak controls on the management of stocks might result in loss of inventories through irregular donations.

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

### **Responsibilities of 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 for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes

and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Centre to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Centre to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

17 April, 2024

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**14. Statement of Financial Performance for the year ended June 30<sup>th</sup> 2023**

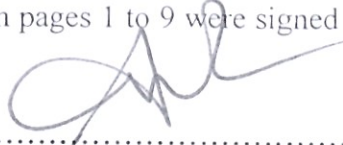
	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – government grants	6	163,250,000	626,632,694
<b>Revenue from exchange transactions</b>			
Sale of goods and services	7	226,227,388	157,733,876
Rental income	8	966,300	954,300
Other income	9	11,069,200	9,978,409
<b>Total Revenue from exchange transactions</b>			
<b>Total revenue</b>		<b>401,512,888</b>	<b>795,299,279</b>
<b>Expenses:</b>			
Administration/General expenses	10	175,566,519	167,031,142
Employee costs	11	167,650,689	157,973,083
Board Expenses	12	12,951,444	10,955,202
Depreciation	13	40,335,797	43,373,080
Repairs and maintenance	14	39,515,384	45,167,333
Contracted services	15	5,080,997	4,621,825
<b>Total expenses</b>		<b>441,100,830</b>	<b>429,121,665</b>
<b>Other gains/(losses)</b>			
<b>Surplus/(deficit) for the period</b>		<b>(39,587,942)</b>	<b>366,177,614</b>

The notes set out on pages 10 to 34 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 9 were signed on behalf of the Board of Directors by:



.....  
**Dr. David K. Kios, PhD, CPA**  
**HSC, OGW**  
**Managing Director**



.....  
**Silas W. Osundwa**  
**Head of Finance**  
**ICPAK M/No: 9601**



.....  
**Prof. James K. Wabacha,**  
**OGW**  
**Chairman of the Board**

Date 24/01/2024

Date 24.1.2024

Date 24/01/2024

**KENYA ANIMAL GENETIC RESOURCES CENTRE**  
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**15. Statement of Financial Position as at 30<sup>th</sup> June 2023**

		2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	42,277,830	240,687,763
Receivables from exchange transactions	20	61,927,700	62,418,348
Inventories	21	486,625,800	365,579,150
		<b>590,831,330</b>	<b>668,685,261</b>
Biological Assets	22	14,046,231	12,386,631
Property, plant and equipment	23	536,443,591	555,861,283
Work in progress	24	49,976,429	-
		<b>600,466,251</b>	<b>568,247,914</b>
<b>Total assets</b>		<b>1,191,297,582</b>	<b>1,236,933,175</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	25	85,965,991	93,003,642
Refundable deposits from customers	26	13,689,920	12,699,920
<b>Current liabilities</b>		<b>99,655,911</b>	<b>105,703,562</b>
<b>Total liabilities</b>		<b>99,655,911</b>	<b>105,703,562</b>
<b>Net assets</b>			
Capital Reserves		185,872,025	185,872,025
Revenue Reserves		886,861,146	926,449,088
Donations		18,908,500	18,908,500
		<b>1,091,641,671</b>	<b>1,131,229,613</b>
<b>Total equity and liabilities</b>		<b>1,191,297,582</b>	<b>1,236,933,175</b>

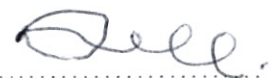
The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:



Dr. David K. Kios, PhD, OGW, HSC  
 Managing Director



CPA Silas W. Osundwa  
 Senior Accountant  
 ICPAK Member Number: 9601



Prof. James K. Wabacha, OGW  
 Chairman of the Board

KENYA ANIMAL GENETIC RESOURCES CENTRE  
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16. Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Ordinary share capital	Revaluation reserve	Revenue Reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, (Previous FY)	185,872,025	-	560,271,473	-	-	18,908,500	765,051,998
Issued new capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ deficit for the year	-	-	366,177,615	-	-	-	366,177,615
Capital/development grants received during the year	-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
As at June 30, 2022	185,872,025	-	926,449,088	-	-	18,908,500	1,131,229,613
As at July 1, 2022	185,872,025	-	886,861,146	-	-	18,908,500	1,131,229,613
Issue of new share capital	-	-	-	-	-	-	-

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Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on investments	-	-	-	-	-	-	-
Surplus/ (deficit) for the year	-	-	-	-	-	-	-
Capital/development grants received during the year	-	-	(39,587,942)	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Interim dividends paid	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
<b>As at June 30, 2023</b>	<b>185,872,025</b>	<b>-</b>	<b>886,861,146</b>	<b>-</b>	<b>-</b>	<b>18,908,500</b>	<b>1,091,641,671</b>

**17. Statement of Cash Flows for the year ended 30th June 2023**

	Notes	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities	6	163,250,000	626,632,694
Sale of goods	7	226,227,388	157,733,876
Rental revenue from facilities and equipment	8	966,300	954,300
Other income	9	11,069,200	9,978,409
<b>Total receipts</b>		<b>401,512,888</b>	<b>795,299,279</b>
<b>Payments</b>			
Use of goods and services	10	215,902,316	210,404,222

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	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Notes		
Employee costs	167,650,689	157,973,083
Board Expenses	12,951,444	10,955,202
Repairs and maintenance	39,515,384	45,167,333
Contracted services	5,080,997	4,621,825
Grants and subsidies	-	-
Total payments	441,100,830	429,121,665
Net cash flows from/(used in) operating activities	(39,587,942)	366,177,614
Cash flows from investing activities		
Purchase of PPE and Intangible assets	(24,476,854)	(274,293,855)
Proceeds from sale of PPE	3,558,748	-
Purchase of investments	(1,659,600)	(720,020)
Sale of investments	-	-
Net cash flows from/(used in) investing activities	(22,577,706)	(275,013,875)
Cash flows from financing activities		
Net cash flows from financing Activities	-	-
Net increase/(decrease) in cash & Cash equivalents	(198,409,933)	(4,197,538)
Cash and cash equivalents at 1 July 2023	240,687,762	3,822,385
Cash and cash equivalents at 30 June	42,277,830	240,687,762

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18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023	2022 - 2023	
<b>Revenue</b>						
Transfers from Other Governments entities	472,000,000	(250,000,000)	222,000,000	163,250,000	(58,750,000)	73.54%
Sale of Goods and Services	219,000,000	(35,870,000)	183,130,000	226,227,388	43,097,388	123.53%
Other Incomes	10,000,000	5,900,000	15,900,000	11,069,200	(4,830,800)	69.62%
Rental Income	1,000,000	(30,000)	970,000	966,300	(3,700)	99.62%
<b>Total Income</b>	702,000,000	(280,000,000)	422,000,000	401,512,888	(20,487,112)	95.15%
<b>Expenses</b>						
Compensation to Employees	165,300,000	(4,700,000)	160,600,000	167,650,689	7,050,689	104.39%
Remuneration of Directors	10,000,000	2,500,000	12,500,000	12,951,444	(451,444)	103.61%
Repairs and Maintenance	8,500,000	28,500,000	37,000,000	39,515,384	2,515,384	106.8%
Depreciation and Amortization	-	-	-	40,335,797	(40,335,797)	
Contracted Services	5,500,000	(400,000)	5,100,000	5,080,997	19,003	99.63%
<b>General Expenses</b>						
Travelling and Subsistence	18,900,000	6,300,000	25,200,000	27,349,871	2,149,871	108.53%
Telephone and Postage	3,700,000	(381,000)	3,319,000	4,185,383	(866,383)	126.10%
Electricity and Water	29,200,000	(6,955,000)	22,245,000	31,017,495	(8,772,495)	139.44%
Printing Stationery and Computer Expenses	9,300,000	(4,200,000)	5,100,000	5,551,490	(451,490)	108.85%

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	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Training, ISO & CSR	2,500,000	(1,500,000)	1,000,000	797,886	202,114	79.79%
Uniforms and Protective Clothing	1,500,000	155,000	1,655,000	1,701,455	(46,455)	102.81%
Bank Charges	800,000	90,000	890,000	942,819	(102,819)	105.93%
Provision of Doubtful Debts				(48,022)	48,022	
Subscriptions	200,000	(95,000)	105,000	88,080	16,920	83.89%
Catering Services	1,800,000	300,000	2,100,000	2,661,346	(561,346)	126.73%
Motor Vehicle Insurance	2,000,000	(134,000)	1,866,000	1,865,306	694	99.96%
Transport Operating Expenses	8,500,000	(1,000,000)	7,500,000	8,157,479	657,479	108.77%
Bull Recruitment and Maintenance	6,600,000	36,900,000	43,500,000	47,504,175	4,004,175	105.56%
Marketing and Advertisement	16,200,000	(5,400,000)	10,800,000	8,458,294	(2,341,706)	78.32%
Rehabilitation of Motor Vehicles	3,000,000	1,160,000	4,160,000	4,430,900	270,900	106.51%
Miscellaneous and other Charges	6,340,000	(5,140,000)	1,200,000	1,664,237	464,237	138.69%
Kenya Climate Smart Agriculture Project	-	2,540,511	2,540,511	2,540,511	0	
Imported Semen, Liquid Nitrogen, LN2 Containers & A. I. Equipment	1,000,000	23,914,064	24,914,064	24,914,064	0	100%
Audit fees	1,160,000	0	1,160,000	1,740,000	580,000	150.00%
Gain/(Loss) on disposal				43,750	-	
Sub total	302,000,000	72,454,575	347,000,000	441,100,830	66,602,505	
Total Expenditure	702,000,000	(252,545,425)	422,000,000	441,100,830	216,602,505	

% of utilization	Performance difference	Actual on comparable basis	Final budget	Adjustments		Original budget	Kshs
				b	c=(a+b)		
		d		e=(c-d)			
						0	
						0	
						0	
						(27,454,425)	
						(27,454,425)	
						(39,587,942)	
						(237,089,617)	
						0	
						150,000,000	
						0	17.77%
						400,000,000	

Budget notes

- i) There was an additional Ksh 58.75 million budget cut on grants after the supplementary budget
- ii) The revenue target for other income was not met due to few orders for liquid nitrogen containers and other AI equipment by Counties.
- iii) The increase in actual revenue from sale of goods and services was due to increase in semen stocks.
- iv) The over expenditure in travelling and subsistence and accommodation was due to increased field marketing activities
- v) The over expenditure under compensation to employees was as a result of accrued gratuity paid to two contract staff.
- vi) Bull recruitment is capitalised in the budget as it has a direct impact on the core mandate of KAGRC. The increase in expenditure for bull maintenance was due to outsourcing of fodder and feeds as a result of low harvest from Centre's hayfields occasioned by prolonged drought experienced in the country.
- vii) The variance in rehabilitation for motor vehicles is due to ageing motor vehicles and machinery requiring frequent repairs and maintenance.

## 19. Notes to the Financial Statements

### 1. General Information

Kenya Animal Genetic Resources Centre is established by and derives its authority and accountability from Legal notice number 110 of 5<sup>th</sup> September 2011. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is harvesting and preservation of Animal Genetic materials.

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

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3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
<p><i>IPSAS 41: Financial Instruments</i></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><b>The Standard was not applied</b></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit</li> </ol>

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Standard	Effective date and impact:
	<p>schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The Standard was not applied</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The Standard was not applied</p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1<sup>st</sup> January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement.</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p>The Standard was not applied</p>

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

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

iii. **Early adoption of standards**

KAGRC did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

**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 Centre and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

**Rendering of services**

The Centre recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

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

**Interest income**

The Centre did not have any interest income in the year ended 30<sup>th</sup> June 2023.

**Dividends**

The Centre neither declared nor received any dividends in the year ended 30th June 2023.

**Rental income**

Rental income earned from employees occupying KAGRC houses has been declared accordingly.

**b) Budget information**

The original budget for the Current FY was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Centre recorded additional appropriations of (Ksh 280,000,000) on the 2022/2023 budget following the Board of Directors' approval.

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

**c) Taxes**

**Current income tax**

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

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respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

No deferred tax was payable.

**Sales tax**

The Centre does not pay sales tax.

**d) Investment property**

The Centre has no investment property.

**e) Property, plant and equipment**

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

**f) Leases**

The Centre has no operating or financing leases.

**g) Intangible assets**

No intangible assets were declared.

**h) Research and development costs**

No research & Development costs were incurred in 2022/2023 FY.

**i) Financial instruments**

The Centre did not hold any financial instruments as at 30<sup>th</sup> June 2023.

**j) Inventories**

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

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is its fair value at the date of acquisition. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**k) Provisions**

The Centre did not provide for any obligation in the year under review.

**l) Social Benefits**

The Centre does not maintain a Social benefits scheme.

**m) Contingent liabilities**

The Centre did not recognize any contingent liability in the year under review.

**n) Contingent assets**

The Centre did not recognize a contingent asset in the year under review.

**o) Nature and purpose of reserves**

KAGRC has created and maintains only revenue and capital reserves as disclosed in the statement of financial position.

**Changes in accounting policies and estimates**

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

**p) Employee benefits**

**Retirement benefit plans**

KAGRC maintains a defined contribution pension scheme retirement benefits for its employees under the Britam Insurance pension umbrella with employees contributing 5% of their basic pay and the Centre an equivalent amount. The contributions to fund obligations for the payment of pension are made monthly.

**q) Foreign currency transactions**

No reporting was done in foreign currencies.

**r) Borrowing costs**

No borrowings were undertaken in the year under review.

s) **Related parties**

KAGRC regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over it or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) **Service concession arrangements**

There were no service concession arrangements entered into between the Centre and third parties.

u) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank and Mpesa balances as at 30th June 2023. Bank account balances include amounts held at ABSA Bank Kenya PLC at the end of the financial year.

v) **Comparative figures**

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

w) **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.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The Centre has made provisions for bad debts at 10% of the total debtors and gratuity for employees on contract.

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

The preparation of the Centre's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end

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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. State all judgements, estimates and assumptions made:

**Estimates and assumptions.**

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

**Useful lives and residual value**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Transfers from Other Government entities

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	KShs	KShs
Unconditional Grants		
Operational Grant	62,000,000	72,000,000
Unconditional development grants	101,250,000	550,000,000
Other Grants – Kenya Climate Smart Agric Project	-	4,632,694
<b>Total Unconditional Grants</b>	<b>163,250,000</b>	<b>626,632,694</b>
<b>Total Government Grants</b>	<b>163,250,000</b>	<b>626,632,694</b>

The operational grant is meant for payment of Basic Salaries of KAGRC Staff while the Development grant is meant for establishment of an Embryo Transfer facility and Dairy Goat AI Centre.

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

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance. *	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers as at 30 <sup>th</sup> June 2023	Total transfers as at 30 <sup>th</sup> June 2022
	KShs	KShs	KShs	KShs	KShs
Ministry of Agriculture Livestock and Fisheries	163,250,000	-	-	163,250,000	622,000,000
Kenya Climate Smart Project	-	-	-	-	4,632,694
<b>Total</b>	<b>163,250,000</b>	<b>-</b>	<b>-</b>	<b>163,250,000</b>	<b>626,632,694</b>

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7. Sale of Goods and Services

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Sale of goods		
Sale of Deep – Frozen Semen	92,123,650	105,290,475
Sale of Liquid Nitrogen	37,964,165	43,082,630
Sale of Buck Semen	103,200	-
Other - Production Income	96,036,373	9,360,771
<b>Total revenue from the sale of goods</b>	<b>226,227,388</b>	<b>157,733,876</b>

These are sales of bull and buck semen and liquid nitrogen to counties, agents and non-agents.

8. Rental Revenue from Facilities and Equipment

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Staff Houses	966,300	954,300
<b>Total Rentals</b>	<b>966,300</b>	<b>954,300</b>

This is revenue from centre houses occupied by members of staff.

9. Other Income

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Liquid Nitrogen Containers	2,992,720	4,279,000
Artificial Insemination Equipment	2,511,355	3,815,640
Miscellaneous Income e. g disposal of bulls, fees	5,565,125	1,883,769
<b>Total Other income</b>	<b>11,069,200</b>	<b>9,978,409</b>

10. General/Administration Expenses

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Electricity and Water	31,017,495	25,463,793
Telephone and Postage	4,185,383	3,216,516
Travelling and Subsistence	27,349,871	32,969,461
Printing, Stationery and Computer Expenses	5,551,490	4,323,177
Training and ISO	546,540	10,953,276
Uniforms and Protective Clothing	1,701,455	1,453,694
Advertising Bank Charges	942,819	931,608

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Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Provision for Bad Debts	(48,022)	1,025,446
Subscriptions	820,148	192,850
Catering Services	2,661,346	1,822,849
Motor Vehicle Insurance	1,865,306	1,120,567
Transport Operating Expense	8,157,479	8,286,827
Motor Vehicle Servicing	4,430,900	3,225,980
Miscellaneous & Other Charges	1,183,515	2,531,987
Audit Fees	1,740,000	1,160,000
Bull Recruitment and Maintenance	47,504,175	14,560,035
Marketing and Advertisement	8,458,294	35,292,575
Kenya Climate Smart Project	2,540,511	214,200
Gain/(Loss) on disposal	43,750	-
Imported Semen, Liquid Nitrogen, LN2 Containers & A. I. Equipment	24,914,064	18,286,302
<b>Total general expenses</b>	<b>175,566,519</b>	<b>165,394,366</b>

11. Employee Costs

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Salaries and wages	132,825,560	128,341,281
Employer contribution to health insurance schemes	17,029,438	18,229,106
Employer contribution to pension schemes	17,795,691	11,402,696
<b>Employee costs</b>	<b>167,650,689</b>	<b>157,973,083</b>

12. Board Expenses

Description	Insert Current FY	30 <sup>th</sup> June 2022
	Kshs	Kshs
Chairman/Directors' Honoraria	960,000	640,000
Sitting Allowances, Travel, Accommodation and Others	11,991,444	10,315,202
<b>Total</b>	<b>12,951,444</b>	<b>10,955,202</b>

There is an increase in board expenses in comparison to previous year because more physical meetings were held this year.

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13. Depreciation Expense

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Depreciation Expense	40,335,797	43,373,080
<b>Total depreciation Expense</b>	<b>40,335,797</b>	<b>43,373,080</b>

Reduction is due to disposal of one vehicle and less assets being procured in 2022/23 FY.

14. Repairs and Maintenance

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Equipment and Machinery	39,515,384	45,167,333
<b>Total Repairs and Maintenance</b>	<b>39,515,384</b>	<b>45,167,333</b>

The repairs and maintenance were less in 2022/23 because more had been accomplished the previous year.

15. Contracted Services

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Security Services	3,979,517	3,397,067
Consultancy Services	1,101,480	1,224,758
<b>Total Contracted Services</b>	<b>5,080,997</b>	<b>4,621,825</b>

More guards were engaged in 2022/23 FY

16. Grants and Subsidies

There was no social benefit schemes such as cash transfers for unemployment or elderly in line with IPSAS 42 in 2022/2023 FY.

17. Finance Costs

No finance costs were incurred in 2022/2023 FY

18. Gain on Sale of Assets

There was no gain on sale of assets.

19. Cash and Cash Equivalents

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Current Account	40,711,299	238,952,859
Others- Cash on Hand	1,566,531	1,734,904
<b>Total Cash And Cash Equivalents</b>	<b>42,277,830</b>	<b>240,687,763</b>

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
		Kshs	Kshs
<b>a) Current Account</b>			
ABSA Bank PLC	0731056080	71,879	3,776,882
ABSA Bank PLC	0731082901	28,346,294	6,439,434
ABSA Bank PLC	0731082928	12,293,126	228,736,543
<b>Sub- Total</b>		<b>40,711,299</b>	<b>238,952,859</b>
<b>b) Others (Specify)</b>			
Cash in Hand		54,556	33,455
Mobile Money Accounts (Mpesa)		1,511,975	1,701,449
<b>Sub- Total</b>		<b>1,566,531</b>	<b>1,734,904</b>
<b>Grand Total</b>		<b>42,277,830</b>	<b>240,687,763</b>

20. Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Current)

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
<b>Receivables</b>		
KAGRC Agents and Other Customers	59,798,738	60,278,953
Other Exchange Debtors Provision for doubtful debts@10%	5,979,874	6,027,895
<b>Total Current Receivables</b>	<b>53,818,864</b>	<b>54,251,058</b>
Staff Debtors	333,816	279,308
Other exchange debtors-medical cover	7,775,020	7,887,982
<b>Total current receivables</b>	<b>61,927,700</b>	<b>62,418,348</b>

Receivables from agents and other customers is from the goods and services supplied to them in 2022/23 FY. Staff debtors comprise salary advances to staff whereas medical cover is for staff for the period July to December 2023 paid in January 2023.

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21. Inventories

Description	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
Freisian	116,155,000	61,164,400
Guernsey	26,935,400	23,473,200
Boran	4,184,600	3,496,400
Jersey	46,094,200	38,058,600
Ayrshire	256,557,600	231,319,400
Sahiwal	2,399,400	1,508,000
Charolais	6,715,200	3,361,800
Simmental	3,746,800	1,905,600
Hereford	2,584,000	1,286,400
Magic - 50	13,589,800	4,950
Brown Swiss	800	400
Imported Sexed Semen	7,412,000	-
Buck Semen	213,500	-
Liquid Nitrogen	37,500	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>486,625,800</b>	<b>365,579,150</b>

Inventory comprises stock of bull and buck semen and liquid nitrogen held for sale as at 30th June 2023.

22. Movement of Biological Assets Investments

Impairment allowance/ provision	30 <sup>th</sup> June 2023	30 <sup>th</sup> June 2022
	Kshs	Kshs
At the beginning of the year	12,386,631	11,666,611
Purchase of investments in the year	2,385,000	1,212,120
Sale of investments during the year	(725,400)	(492,100)
Gain/(loss) in fair value of investments through surplus or deficit	-	-
<b>At the end of the year</b>	<b>14,046,231</b>	<b>12,386,631</b>

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23. Property, Plant and Equipment

Cost	Buildings		Motor vehicles		Farm Machinery		Computers		Loose Tools		Plant and Equipment		Furniture and fittings		Total	
	Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs		Kshs	
As At 1 July 2022	372,101,824	86,309,427	12,888,353	47,435,658	2,601,637	489,340,779	967,325	1,011,645,003								
Additions	5,384,424	-	144,000	2,535,400	705,742	11,080,086	4,627,202	24,476,854								
Disposals		(5,840,000)						(5,840,000)								
Transfers/Adjustments																
As at 30 <sup>th</sup> June 2023	377,486,248	80,469,427	13,032,353	49,971,058	3,307,379	500,420,865	5,594,527	1,030,281,857								
Depreciation And Impairment																
At 1 July 2022	25,894,366	62,352,326	8,201,277	43,099,911	1,807,599	314,307,324	120,916	455,783,718								
Depreciation for the year	7,031,838	5,989,275	603,885	2,267,478	494,927	23,264,193	684,201	40,335,797								
Depreciation on disposed Vehicle	-	(2,281,250)	-	-	-	-	-	(2,281,950)								
As At 30 <sup>th</sup> June 2023	32,926,203	66,060,351	8,805,161	45,367,389	2,302,526	337,571,516	805,117	493,838,266								
Net Book Values																
As at 30 <sup>th</sup> June 2022	346,207,458	23,957,101	4,687,076	4,335,747	794,038	175,033,454	846,409	555,861,283								
As at 30 <sup>th</sup> June 2023	344,560,044	14,409,075	4,227,191	4,603,668	1,004,852	162,849,349	4,789,410	536,443,591								

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**Valuation**

Land is not included due to lack of ownership documents whereas plant & equipment, buildings, farm machinery, motor vehicles (including motorcycles), computers & related equipment, office equipment, furniture & fittings and loose tools are reported at cost price less accumulated depreciation.

**23 (b) Property, Plant and Equipment at Cost**

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant and Equipment	500,420,865	337,571,516	162,849,384
Buildings	377,486,248	32,926,203	344,560,044
Farm Machinery	13,032,353	8,805,161	4,227,191
Motor Vehicles, Including Motorcycles	80,469,427	66,060,351	14,409,075
Computers And Related Equipment	49,971,058	45,367,389	4,603,668
Office Equipment, Furniture, And Fittings	5,594,527	805,117	4,789,410
Loose Tools	3,307,379	2,302,526	1,004,852
<b>Total</b>	<b>1,030,281,857</b>	<b>493,838,266</b>	<b>536,443,591</b>

**24. Work in Progress**

Description	2022-2023	2021-2022
	KShs	KShs
Work in progress	49,976,429	199,352,077
Transfer to PPE (Buildings)		(199,352,077)
<b>Total Work In Progress</b>	<b>49,976,429</b>	<b>0</b>

**25. Trade and Other Payables**

Description	30 <sup>th</sup> June 2023	
	Kshs	Kshs
Trade payables	35,458,107	32,408,582
Payments received in advance	39,508,300	47,177,450
Employee payables - Gratuity	10,999,584	12,257,610
Third-party payments	-	1,160,000
<b>Total trade and other payables</b>	<b>85,965,991</b>	<b>93,003,642</b>

These were incurred in the course of the Financial Year

26. Refundable Deposits and Prepayments from Customers

Description	30 <sup>th</sup> June 2023		30 <sup>th</sup> June 2022	
	Kshs		Kshs	
Customer deposits b/f	12,699,920		12,499,920	
Prepayments	-		400,000	
Other deposits	990,000		(200,000)	
<b>Total deposits</b>	<b>13,689,920</b>		<b>12,699,920</b>	
Ageing analysis: (Refundable deposits)	30 <sup>th</sup> June 2023	% of the Total	30 <sup>th</sup> June 2022	% of the Total
Under one year	990,000	7.23	400,000	3.15
1-2 years	400,000	2.92	200,000	1.57
2-3 years	200,000	1.46	1,000,000	7.87
Over 3 years	12,099,920	88.39	11,099,920	87.40
<b>Total</b>	<b>13,689,920</b>	<b>100</b>	<b>12,699,920</b>	<b>100</b>

These are amounts received from agents in order to allow them to get goods and service on credit up to an equivalent amount.

**Retirement benefit Asset/ Liability**

The Entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 1,080 per employee per month. Other than NSSF the Entity also has a defined contribution scheme operated by Britam Insurance Company's Umbrella Pension Scheme. Employees contribute 5% while employers contribute 5% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

i) **Market risk**

KAGRC has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Centre's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) **Foreign currency risk**

The Centre has transactional currency exposures arising from its procurement of some of the consumables and equipment done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The centre manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

KAGRC had no foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period. Thus, no sensitivity analysis was conducted.

b) **Interest rate risk**

KAGRC had no interest rate risk exposure arising mainly from interest rate movements on its deposits.

iv) **Capital Risk Management**

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

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Description	2022/2023 FY	2021/2022 FY
	Kshs	Kshs
EAAPP Donation	18,908,500	18,908,500
Retained Earnings	886,861,146	926,449,088
Capital Reserve	185,872,025	185,872,025
<b>Total Funds</b>	<b>1,091,641,671</b>	<b>1,131,229,613</b>
Less: Cash and Bank Balances	42,277,830	240,687,763
Net Debt/(Excess Cash And Cash Equivalents)	0	0
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

27. **Related Party Disclosures**

Nature of related party relationships

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of KAGRC, holding 100% of it's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

The entity is related to

- i) The National Government;
- ii) Ministry of Agriculture and Livestock Development
- iii) The National Treasury;
- iv) The general public;
- v) Livestock Producers;
- vi) Key management;
- vii) Board of directors;

28. **Capital Commitments**

There were no capital commitments as at 30<sup>th</sup> June 2023

29. **Events after the Reporting Period**

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

30. **Ultimate and Holding Entity**

The Entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

31. **Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
KAGRC/20/2018-2019/(2)	1. Inaccuracies in the financial statements 2) Cash and Cash equivalent. a) Lack of Mpesa account policy b) Maintenance of separate bank accounts c) Lack of petty cash management guidelines	The Matters are being addressed	Resolved	30th June 2024
	3) Incomplete Fixed Assets Register			
	4) Unsupported Sale of Goods and Services			
	5) Unapproved Expenditure			

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

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Managing Director /C.E.O

Date: 24/01/2024

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Appendix II: Projects implemented by Kenya Animal Genetic Resources Centre.

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

Project Title	Project Number	Donor	Period	Donor Commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Establishment of liquid nitrogen plants and Dairy goat A.I Centre to enhance capacity germplasm production	N/A	None	2022/23	None	No	Yes
Establishment of Embryo Transfer (ET) and Semen Sexing Centre	N/A	None	2022/23	None	No	Yes

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Appendix IV: Transfers from Other Government Entities

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Total Transfers during the Year	
Ministry of Agriculture, Livestock & Fisheries	05/08/22	Recurrent	6,000,000	6,000,000	6,000,000	
	27/09/22	Recurrent	6,000,000			
	28/09/22	Recurrent	6,000,000			
	14/11/22	Recurrent	6,000,000			
	07/12/22	Recurrent	6,000,000			
	13/01/23	Recurrent	6,000,000			
	13/02/23	Recurrent	6,000,000			
	08/03/23	Recurrent	1,750,000			
	06/06/23	Recurrent	2,750,000			
	08/06/23	Recurrent	15,500,000			
	<b>TOTAL</b>		<b>62,000,000</b>			
	18/11/22	Development	37,500,000			
	18/11/22	Development	37,500,000			
	29/06/23	Development	18,750,000			
	29/06/23	Development	7,500,000			
<b>Sub - Total</b>		<b>101,500,000</b>				
<b>Grand Total</b>			<b>163,250,000</b>			

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