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KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE 2004

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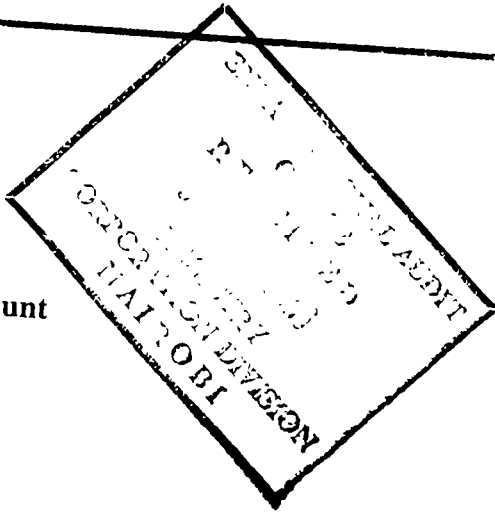
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KENYA PLANT HEALTH INSPECTORATE SERVICE

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2004

The Directors have pleasure of presenting their financial statements for the period 1st July 2003 to 30th June, 2004.

The 2003/04 was a significant year in many ways since the establishment of the Corporation. The Corporation acquired a headquarters complex in Karen located on seventeen acres. The spacious facility provides ambient environment and ample space for future expansion. Being housed in one facility will also make it possible for the Corporation to take advantage of the many benefits availed by information technology advancements and particularly in terms of networking. The occupation of the facility which also incorporates a modernised Analytical Chemistry/Fertiliser Quality Control Laboratory was the beginning of another phase of the Corporation's existence marked by corporate identity and opportunity to focus on the vision – to be the leading and credible regulatory agency for quality agricultural inputs and produce. In so many ways, the achievement will boost the Corporation's effectiveness in carrying out the core functions – plant variety protection, quality control, plant protection and monitoring of the effect of agricultural activities on the environment.

During the year, forty two applications for Plant Breeders' Rights (PBR) in Kenya were received while forty one grants for PBR were approved. Seed field inspection was carried out on about eight thousand one hundred and forty two hectares out of which seven thousand and thirty eight hectares was approved. Seed processing, inspection and sampling was also a major activity during the year and a total of about eighteen million five hundred and ninety two thousand seven hundred and sixty kilograms of both imported and locally produced seeds were sampled. One thousand eight hundred and thirty seven seed samples were tested them to determine the purity, germination and health status of the seed lots. Post control verification for maize, wheat, barley, oats and horticultural crops was carried out to monitor the identity and purity of variety at various stages in the seed multiplication process. The post control plots were also used to determine the validity of farmers' complaints on the seed quality whereby one thousand three hundred and twenty three samples were evaluated.

In addition, post certification surveys were conducted in various parts of the country to monitor the quality of seeds being offered for sale to the farmers. The exercise entailed inspection of the stockists' premises for the purpose of licensing and action was instituted against those found violating the seed regulations. A total of one thousand three hundred and twenty three seed stockists were licensed and thirty stockists were prosecuted for violating the seed regulations.

During the year, the Corporation's Seed Testing Laboratory was re-accredited by the International Seed Testing Association (ISTA). The re-accreditation is important since it enables the Corporation to facilitate seed trade at the international level. The accreditation process for the Analytical Chemistry Laboratory to ISO 17025 by the South African National Accreditation System (SANAS) continued during the year under review and

progressed to the final stages. The laboratory analysed various agricultural inputs which included thirty seven agrochemical formulations, eighty five fertiliser samples and thirty water samples which were analysed for irrigation suitability. In addition, a total of two hundred and sixty four soil samples for fertility evaluation/recommendation and seventeen plant tissue samples were received. In terms of pesticide residue analysis, a total of three hundred and thirty five agricultural produce samples were received for analysis and maximum residue limits compliance testing. For environmental monitoring, two hundred and thirty three samples including soil, sediment, water, animal tissue and honey were received for analysis to assess contamination

Inspection to ensure that Kenyan produce and imports met the required phytosanitary standards continued during the year a total of five hundred and forty three million seven hundred and thirteen thousand and twenty nine kilograms of exports were inspected at the exit points. One hundred and seventy seven thousand five hundred and eighty eight thousand kilograms was rejected due to non-compliance with set requirements while over one billion kilograms of imported agricultural materials was inspected. Four thousand one hundred and sixty seven plant import permits were issued while one hundred and thirty seventy two thousand six hundred and ninety six phytosanitary certificates were issued. The scope of inspection service was increased and extended to passenger flights whereby fifteen thousand six hundred and thirty nine were found carrying plant products. Other core activities included plant quarantine services, pathological analysis of plants, soil analysis for nematodes and pathogens and tissue culture activities.

During the year, a total of eight biological control agents facilities were inspected which included three open quarantine inspections. Permits were also issued for the introduction of genetically modified plants (maize, cassava and cotton) for confined research purposes after approval by the National Biosafety Committee in pursuance of the Corporation's mandate to implement the National Policy on the introduction and use of genetically modified organisms.

Capacity building was given a lot of emphasis during the year and a significant number of officers attended training programmes both locally and abroad. The Corporation also recruited some officers to boost the numbers in various professional categories. The good results and achievements during the year signify the dedication of the staff who are committed to being the credible regulatory agency that meets and sustains international standards. The focus of the Board of Directors, management and staff will continue - as has been the tradition to be within the principles of good corporate governance, social responsibility, individual and institutional integrity as well as a sense of responsibility to all clients.

September, 2004

Board of Directors

The Board of Directors during the year comprised of the following:

Prof. Juma A.Lugogo	Chairman
Dr. Wilson R.Opile	
Dr. Paul K.A.Konuche	
Dr. James M.Osando	
Mr. Jeremiah K.Rutto	
Mrs. Lucy Waithaka	
Mr. Stephen Muna	
Permanent Secretary, Ministry of Finance	- (Alternate – Mrs. Truphena Mokaya)
Permanent Secretary, Ministry of Agriculture	- (Alternate – Mrs. Ann Onyango)
Dr. Chagema J. Kedera	- Managing Director/Secretary to the Board



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE 2004

I have audited the financial statements of Kenya Plant Health Inspectorate Service for the year ended 30 June 2004 in accordance with the provisions of Section 14 of the Public Audit Act, 2003.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the Inspectorate's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe my audit provides a reasonable basis for my opinion.

Comments

1. Presentation and disclosures in financial statements.

Contrary to the requirements of International Accounting Standards No 1 on "Presentation of Financial Statements" the financial statements have not disclosed significant accounting policies such as stock valuation, debtors' valuation, revenue recognition, investment and staff retirement benefits. Further, the amounts reflected in the financial statements differ from the amounts disclosed in the notes to the financial statements as follows:-

Account name	Financial statements Kshs	Notes to the accounts Kshs	Differences Kshs
Income	302,024,640	301,295,350	729,290
Personnel costs	121,439,280	123,876,059	(2,436,779)
Operating expenses	133,653,988	130,731,035	2,922,953
Cash & Bank balances	41,595,796	53,526,496	(11,930,700)

Consequently, the financial statements do not provide relevant, reliable, comparable and clear information.

2. Accuracies of Financial Statements

Most of the comparative balances for 2002/2003 in the 2003/2004 financial statements differ from the audited balances for 2002/2003 as follows. -

Income and Expenditure Account

Name of Account	2002/2003 Audited Balances KShs	2003/2004 Comparative balances KShs	Difference KShs
Other operating expenses	100,861,210	100,875,119	(13,909)
Surplus Income over expenditure	82,833,582	82,819,673	13,909
Depreciation	21,732,915	20,369,482	1,363,433

Balance Sheet

Name of Account	2003/2004 Comparative balances KShs	2002/2003 Audited balances KShs	Difference KShs
Surplus income over Expenditure	62,450,191	61,100,666	1,349,525
Accumulated depreciation	68,086,190	69,449,622	(1,363,432)
Cash and Bank	201,859,103	201,873,013	(13,910)

The differences reflected above have not been investigated by the Inspectorate. Consequently, I am unable to give an opinion as to the accuracy of the opening balances and the financial statements for the year ending 30 June 2004 as a whole.

3. Property

The Inspectorate was allocated five (5) hectares of land in Nairobi for the construction of its headquarters. Although the Inspectorate has a letter of allotment for this piece of land, it has not so far obtained the title deed to the land. In addition, the Inspectorate has 330 acres of land out of which only five (5) parcels measuring 25 acres have title deeds which are however registered in the name of Kenya Agricultural Research Institute. In the circumstances, the amount of Kshs.55,430,351 being value of land cannot be ascertained as the Inspectorate does not have the requisite ownership documents.

Opinion

In view of the significance of the matters discussed in the foregoing paragraphs, I am unable to express any meaningful opinion on the financial statements



E.N. MWAI
CONTROLLER AND AUDITOR GENERAL

Nairobi

03 February 2006

KENYA PLANT HEALTH INSPECTORATE SERVICE
INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR
ENDED 30TH JUNE 2004

	Notes	2003/2004	2002/2003
		Kshs	Kshs
Recurrent grants		216,439,280	206,439,281
USAID grants		24,883,146	18,663,045
Fees for services rendered		<u>60,702,214</u>	<u>66,582,653</u>
Total income	(5)	<u>302,024,640</u>	<u>291,684,979</u>
Personnel costs	(10)	121,126,945	107,990,187
Other operating expenses	(11)	<u>133,653,988</u>	<u>100,875,119</u>
Total expenditure		<u>254,780,933</u>	<u>208,865,306</u>
Surplus Income over Expenditure		47,243,707	82,819,673
Depreciation	(3)	<u>22,661,178</u>	<u>20,369,482</u>
		24,582,529	62,450,191
Surplus income over expenditure brought forward		<u>319,576,752</u>	<u>256,955,525</u>
Surplus income over expenditure carried forward		<u>344,159,281</u>	<u>319,576,752</u>

KENYA PLANT HEALTH INSPECTORATE SERVICE

BALANCE SHEET AS AT 30TH JUNE 2004

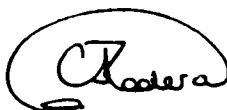
	Notes	2003/2004	2002/2003
Assets employed:		Kshs	Kshs
Revaluation Reserves	(3)	166,373,043	166,373,043
Surplus Income over Expenditure		24,582,529	62,450,191
Surplus Income over Expenditure brought forward		<u>319,576,752</u>	<u>256,955,525</u>
Total		<u>510,532,324</u>	<u>485,778,759</u>
Represented by:			
Fixed assets	(3)	501,083,361	271,881,391
Accumulated depreciation		90,747,368	68,086,190
Net book value		<u>410,335,993</u>	<u>203,795,201</u>
Current assets			
Cash and Bank Balances	(6)	41,595,796	201,859,103
Cash in Hand		152,994	171,392
Investment in Government securities	(7)	39,873,180	50,000,000
Prepayments		6,927,074	6,371,623
Debtors	(9)	25,516,852	28,138,805
Stock		<u>6,241,141</u>	<u>5,790,398</u>
Total current assets		<u>120,307,037</u>	<u>292,331,321</u>
Creditors	(8)	<u>20,110,706</u>	<u>10,347,763</u>
Net current assets		<u>100,196,331</u>	<u>281,983,558</u>
Total		<u>510,532,324</u>	<u>485,778,759</u>

Prof. Juma A. Lugogo
Chairman
Board of Directors



Date *24th Sept. 04.*

Dr. Chagema J. Kedera
Managing Director KEPHIS



Date *24th Sept 2004*

KENYA PLANT HEALTH INSPECTORATE SERVICE

CASH FLOW STATEMENT FOR THE YEAR

ENDED 30TH JUNE 2004

	Kshs 2003/2004	Kshs 2002/2003
Cash flow from Operating Activities		
Surplus Income over expenditure for the year	24,027,078	62,450,191
Adjustments for		
Depreciation	22,661,178	20,369,482
Interest on Treasury Bills/FDR/Savings	(1,797,919)	(6,196,531)
Surplus Income over Expenditure for the year	44,890,337	76,623,142
Prior period - stock items		
Net surplus	44,890,337	76,623,142
Working Capital changes		
(Increase) Decrease in Stock	(450,743)	3,021,405
(Increase) Decrease in Debtors	2,621,953	9,026,574
Increase (Decrease) in Creditors	9,762,943	3,788,397
Increase (Decrease) in Prepayments	11,931,153	552,555
	11,931,153	16,388,931
Cash flow from Financing Activities		
Interest on treasury Bills/FDR/Savings	1,797,919	6,196,531
Cash flow from Investing Activities	(229,201,972)	
Purchase of Fixed Assets		(23,871,736)
Net increase in cash and cash equivalents	(170,582,563)	75,336,868
Cash and cash equivalents opening balance	252,030,496	176,693,628
Cash and cash equivalents closing balance	81,447,933	252,030,496

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

The following paragraphs describe the main accounting policies used by the corporation:

1) Accounting convention

The accounts are prepared on historical cost convention modified to include the revaluation of certain fixed assets.

2) Depreciation

Depreciation on fixed assets is calculated on the straight-line basis to write off their cost or valuation over their useful lives. The principal annual rates are:

Buildings 2%

Plant and Machinery 12.5%

Motor Vehicles 25%

Office Equipment 12.5%

Furniture and fixtures 12.5%

Laboratory Equipment 12.5%

Computers & Accessories 12.5%

The above rates are applied on pro rata basis for assets acquired or disposed off during the year

3) Fixed assets schedule

COST OR VALUATION	LAND	BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	COMPUTERS AND ACCESSORIES	OFFICE EQUIPMENT	FURNITURE AND FITTINGS	LABORATORY EQUIPMENT	TOTALS
		At 30 th July 2003	55,430,000	70,021,800	7,779,677	5,760,274	6,886,557	4,461,857	
Additions	48,086,351	60,081,679	1,798,640	9,630,064	5,590,340	5,121,777	82,870	6,806,115	1,229,201,972
At 30 th June 2004	103,516,351	130,103,479	9,578,317	63,390,338	9,085,597	4,979,070	6,546,082	73,884,429	501,083,363
Depreciation									
At 30 th July 2003		8,683,920	2,211,897	8,308,968	7,041,302	3,768,768	3,379,974	8,480,863	68,886,791
Charged on the year		7,700,831	1,179,377	8,287,621	687,017	880,779	513,215	8,687,708	35,681,178
At 30 th June 2004		7,884,758	3,342,974	43,991,586	5,003,979	2,291,044	3,093,256	27,137,771	90,747,368
Net Book Value At 30 th June 2004	103,516,351	222,218,421	6,235,343	19,396,752	6,081,618	2,688,026	3,452,826	46,746,658	410,335,995
Net Book Value At 30 th June 2003	55,430,000	64,337,880	5,566,080	18,054,309	4,844,655	2,751,592	4,183,234	48,627,751	204,795,201

The Inspectorate is pursuing the issue of land and buildings inherited from Kenya Agricultural Research Institute upon inception with the relevant Government Ministries.

4) Treasury Bills

Treasury bills are stated at cost. Interest is credited to income over the period of issue.

	2003/2004	2002/2003
	Kshs	Kshs
5) Income		
Fees for services rendered	58,055,472	59,198,234
Miscellaneous receipts	119,533	1,187,888
Interest earned	1,797,919	6,196,531
Grants from Ministry of Agriculture	86,439,280	86,439,281
Grants from Ministry of Finance	130,000,000	120,000,000
Grants from USAID	<u>24,883,146</u>	<u>18,663,045</u>
	<u>301,295,350</u>	<u>291,684,979</u>
6) Cash and Bank balances		
Current account I	23,722,695	178,140,179
Current account II	23,318,077	16,768,495
Regional offices	4,285,634	3,714,531
Savings account (Staff retirement)	2,065,514	2,025,013
ADSP account	<u>134,576</u>	<u>1,210,885</u>
	<u>53,526,496</u>	<u>201,859,103</u>

The Savings Account (Staff Retirement) figure of Kshs 2,025,013 is in respect of both the Employer and Employee contributions to the scheme for the period 1st July to 31st December 1998 prior to the registration of the scheme and inclusive of the net interest earned after making adjustments for the related bank charges.

7) Fixed Deposits	<u>39,873,180</u>	<u>50,000,000</u>
Central Bank of Kenya	<u>39,873,180</u>	<u>50,000,000</u>
8) Creditors	7,224,556	425,708
Trade creditors	1,454,288	2,075,082
Staff Retirement Benefit Scheme	7,419,757	5,591,117
Group Life Assurance	873,900	1,590,300
Group Personal Accident	<u>3,138,205</u>	<u>665,555</u>
Others	<u>20,110,706</u>	<u>10,347,763</u>
9) Debtors		
Trade debtors	23,571,935	26,992,165
Interest receivable	4,181	530,137
Regional offices	(4,285,634)	(3,831,775)
Advances	5,015,055	3,536,962
Deposits	<u>1,211,315</u>	<u>911,316</u>
	<u>25,516,852</u>	<u>28,138,805</u>

10) Personnel costs

000	Personal Emoluments	59,568,552	54,689,799
040	Gratuity and Pension Contributions	5,136,900	5,522,334
050	House Allowance	42,391,000	41,116,886
060	Other Personal Allowances	7,355,010	3,319,635
064	Transfer Allowance	148,605	210,195
068	Training Expenses (Staff)	<u>9,275,992</u>	<u>3,131,340</u>
Total		<u>123,876,059</u>	<u>107,990,187</u>

11) Other Operating Costs

080	Passages and Leave Expenses	2,022,600	1,695,100
090	Medical Expenses	4,903,335	5,155,264
100	Transport Operating Expenses	16,738,886	13,752,239
110	Travelling and Accommodation Expenses	14,591,239	14,791,992
112	External Travelling and Accommodation	14,161,771	8,814,576
120	Postage and Telegram Expenses	911,910	663,698
121	Telephone Expenses	3,671,080	3,309,982
130	Official Entertainment	369,934	405,474
131	Expenses of Boards Committees and Conferences	2,694,775	2,606,823
140	Electricity Expenses	2,782,992	2,499,187
141	Water and Conservancy Expenses	483,331	713,772
160	Purchase of Food & Rations	647,802	
156	Purchase of Laboratory Stores	8,145,025	4,883,352
171	Publishing and Printing Expenses	6,163,123	1,732,255
172	Purchase of Uniform and Clothing	370,965	1,175,247
173	Library Expenses	493,057	353,778
174	Purchase of Stationery	3,071,266	2,191,878
175	Advertising and Publicity	3,344,280	1,965,284
176	Show Expenses	1,753,979	1,722,646
182	Payment of Rents and Rates Non-Residential	2,149,468	1,485,463
184	Contracted Professional Services	3,168,750	5,384,038
185	Computer Expenses	2,168,234	931,627
190	Miscellaneous Other Charges	1,116,610	933,261
192	Vehicle Insurance and Road Tax	803,449	2,421,305
193	Fees Commission and Honoraria	97,500	352,359
194	Training Expenses (Farmers)	2,278,878	2,278,117
199	Compensation & Ex-Gratia Payment	7,793,998	539,989
250	Maintenance of Plant Machinery and Equipment	2,353,220	2,035,495
260	Maintenance of Buildings and Stations	16,975,071	14,502,871
377	Contributions to International Organisations	4,254,509	1,328,049
391	Audit Fees	<u>250,000</u>	<u>250,000</u>
Total		<u>130,731,035</u>	<u>100,875,119</u>

12) Capitalised Expenditure

210	Purchase of Vehicles	9,630,064	12,602,004
220	Purchase of Plant and Equipment	<u>219,571,908</u>	<u>11,269,732</u>
Total		<u>229,201,972</u>	<u>23,871,736</u>