

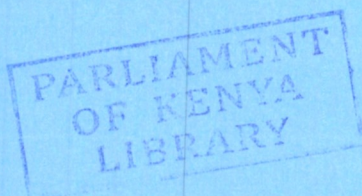
REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA PLANT INSPECTORATE SERVICE

FOR THE YEAR ENDED
30 JUNE 2018



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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KENYA PLANT HEALTH INSPECTORATE SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018**

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

**Kenya Plant Health Inspectorate Service,
Annual Reports and Financial Statements
For the year ended June 30, 2018**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Plant Health Inspectorate Service (KEPHIS) was established in 1996 through Legal Notice No. 305 until the enactment of Kenya Plant Health Inspectorate Service Bill, 2011 in December 2012. The Corporation is a regulatory body for the protection of plants, seeds and plant varieties. KEPHIS is domiciled in Kenya and has branches in Mombasa, Nakuru, Kitale, Embu, Kisumu and Naivasha.

(b) Principal Activities

- (a) Regulate matters relating to plant protection, seeds and plant varieties
- (b) Administer and enforce sanitary and phytosanitary measures
- (c) Support the administration and enforcement of food safety measures
- (d) establish service laboratories to monitor the quality and levels of toxic residues in agro-inputs, irrigation water, plants, soils and produce
- (e) Be the principal advisor to the Government on issues relating to seeds and planting material
- (f) Implement plant variety protection in Kenya, administer plant breeders' rights and maintain the Plant Breeders' Rights Register
- (g) Undertake plant variety testing and description, seed certification and plant quarantine control
- (h) Undertake inspection and grading of plants and plant produce at the ports of entry and exit
- (i) In consultation with other relevant agencies, develop and implement standards for seed and plant materials
- (j) Implement and enforce national bio-safety regulations on the introduction and use of genetically or living modified species of plants, insects and micro-organisms, plant products and other related species
- (k) Regulate import and export of plants and plant materials
- (l) In consultation with other relevant agencies, regulate the commercial exploitation of naturally occurring plants and plant-related micro-organisms
- (m) Register and license seed merchants, seed growers, agents and any other person who may be required to be registered under the provisions of this Act or any of the laws specified in the First Schedule
- (n) Enter into association with such other bodies or organizations or authorized persons as the Board may consider desirable or appropriate in furtherance of the purposes for which the Service is established
- (o) Be the liaison office for international conventions relating to plant variety protection, plant protection, seed certification and dealing with endangered species or any other related conventions.

(c) Key Management

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

- Board of Directors;
- Managing Director; and
- General Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Dr. Esther Kimani
2.	General Manager - Finance & Administration	Mr. James Ang'awa
3.	General Manager - Phytosanitary Services	Dr. Isaac Macharia
4.	General Manager Quality Assurance	Mr. Simeon Kibet Kogo

(e) Fiduciary Oversight Arrangements

The Corporation has the following fiduciary oversight structures:

- Non-executive Chairman of the Board
- Board of Directors comprising independent non-executive directors
- Board Audit Committee
- Board Finance and Administration Committee
- Board Technical Committee
- Board Human Resource Committee

(f) KEPHIS Headquarters

P.O. Box 49592 -00100
Oloolua Ridge, Karen
Nairobi, KENYA

(g) KEPHIS Contacts

Telephone: +254 0206618000/0709891000
E-mail: director@kephis.org
Website: www.kephis.org

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(h) Corporation Bankers

1. Kenya Commercial Bank Ltd
P.O Box 7206 00100
NAIROBI
2. Commercial Bank of Africa
P. O Box 30437 00100
NAIROBI

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084, 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

Mr. Wycliffe O. Murwayi– Chairperson



Appointed on 24th June 2016.

Mr. Wycliffe Murwayi has vast technical and management experience in agriculture and business, both in Kenya and the region. He has academic qualifications in Agronomy, Marketing and strategic management. He holds a Masters in Business Administration from Jomo Kenyatta University of Agriculture and Technology – JKUAT, and a Bachelor of Commerce from The University of Nairobi.

He has over 27 years work experience, mostly at senior management level in coffee agronomy and the aid sector. Currently, he is the managing director of a Kenyan subsidiary of a large Swiss based commodity trade

Eng. Khamis Chome Abdi - Member



Appointed on 2nd October, 2015.

Eng. Chome is an accomplished professional with over 30 years' experience in water resources, development and humanitarian sectors. More recently, he was the Country Director for Somalia for Norwegian People's Aid and Oxfam GB; and previously the Deputy Executive Director for Kenya Water for Health Organization (KWAHO). He started his career in the Ministry of Water Development and moved to the National Water Conservation and Pipeline Corporation. Presently, he serves as Chair of the KEPHIS Finance and Administration Committee and Chairperson of KEPHIS Staff Retirement Benefits Scheme.

Eng. Chome also serves the civil society as Interim Chair of Christian Sports Contact (CHRISC) - Kenya and a Board Member of Tsavo Heritage Foundation. Eng. Chome holds a Masters degree in Water Resources Engineering from University of Dares Salaam and a Bachelor's Degree in Civil Engineering from The University of Nairobi. He also holds Certificates in The Oxford Strategic Leadership Programme from Said Business School, University of Oxford; he has been trained by the Centre for Corporate Governance - a Course for Directors; and Peace building and Good Governance for African Civilian Personnel and Disarmament, Demobilisation and Reintegration, both from the Legon Centre for International Affairs (LECIA), University of Ghana. Eng. Chome also holds a Certificate of Distinguished Service in the Second National Selection Committee of UNDP Africa 2000 Network.

Prof. Anne W. T. Muigai– Member



Appointed on 2nd October, 2015.

Prof Anne Muigai is a molecular population geneticist with over 15 years' experience in the field of Genetics and Biotechnology. She holds a doctorate degree in Biochemistry, and a Master of Science in Genetics. She joined Jomo Kenyatta University of Agriculture and Technology - JKUAT in 1992 as a teaching assistant and has risen to the position of a Professor of Genetics in the Department of Botany. She has held several academic and administrative positions within JKUAT including being the pioneer Chairperson of the Department of Botany. She has served as the Director of the Institute for Biotechnology Research, member of the JKUAT Senate and has also served in the JKUAT University Council. Currently she is the Editor in Chief of the Journal of Agriculture Science and Technology, and is the Coordinator of the postgraduate programmes in the Department of Botany.

She has also served as a Visiting Scientist at the International Livestock Research Institute (ILRI) in Nairobi, Kenya where she was the coordinator of a research project on the characterization of indigenous sheep genetic resources of Kenya. She has carried out several consultancies for ILRI. Currently she is a member of the Technical Advisory Group on Animal Genetics to the African Union Inter-African Bureau on Animal Genetics (AU-IBAR). At the KEPHIS Board, she serves as the Chairperson of the Technical Committee, and as a member of the Audit Committee.

Eng. M'Mwenda Kailu Joseph - Member



Appointed on 2nd October, 2015.

Eng. M'Mwenda joined KTDA as a management trainee in 1996. He has worked in various tea factories among them; Kangaita, Kamunye, Gitugi and Kionyo in different capacities; Factory Officer, Assistant Factory Manager and Production Manager. Currently, he works as a Factory Unit manager at KTDA Kapset. He holds a Bachelor of Science, Agricultural Engineering from The University of Nairobi. He serves as a member of the Finance and Administration Committee of the KEPHIS Board, and a trustee in the Staff Retirement Benefits Scheme.

Mr. William K. Ngelechei - Member



Appointed on 2nd October, 2015.

Mr. William Kisorio Ngelechei is a Horticulturalist. He holds a Bachelor of Science Degree in Horticulture from the Jomo Kenyatta University of Agriculture and Technology - JKUAT and is currently undertaking a Masters Course in Strategic Management (MBA – Strategic Management). He has broad experience in Horticulture having previously worked as a Floriculture manager in the Kenyan and Ethiopian flower industries. At the KEPHIS Board, he serves as a member of the Finance and Administration Committee and the Technical Committee.

Ms. Teresa Muthoni Muchira - Member



Appointed on 31st May, 2016

Ms. Teresa Muthoni Muchira has vast experience in Finance having worked with the National Bank of Kenya for over 25 years. At the point of leaving the banking sector, she had risen to the level of Operations Manager. At the KEPHIS Board, Ms. Teresa serves as the Chairperson of the Audit Committee as well as a member of the Technical Committee. She holds a Master's Degree in Business Administration (Strategic Management), a Bachelor's Degree in Business Administration and CPA 1. She previously served as a Board Member at the National Irrigation Board.

Mr. Julius Mutua – The National Treasury



Appointed on 16th May 2016.

Mr. Mutua is the Alternate Director to Cabinet Secretary, National Treasury. He is a seasoned civil servant with over 20 years' experience in economic and financial policy formulation at the National Treasury. He has served in the National Fiscal Budget Preparation Team for many years and participated in regional integration issues including the negotiation of the East African Community Monetary Union Protocol. He is currently the Programme Co-ordinator for the Public Finance Management Reforms. Mr. Mutua holds a Bachelor's degree in Economics from Kenyatta University and a Master's degree in Economics from the

He also holds certificates in Fiscal Decentralization and Financial Institutions for Private Enterprise development from Duke and Harvard Universities respectively. He serves the KEPHIS board and is a member of Finance & Administration committee.

Mr. Joseph Ng'etich – Ministry of Agriculture Livestock and Fisheries



Appointed on 11th November 2015

Alternate Director to the Principal Secretary, State Department of Agriculture Livestock and Fisheries. At the KEPHIS Board he serves as a member of the Audit Committee and the Technical Committee.

Dr. Esther Kimani – Managing Director



Dr. Kimani has held various positions at KEPHIS: Managing Director, August 2014 to date; General Manager Phytosanitary Services, 2011 to August 2014; Head Phytosanitary and Biosafety Services, 2008 to 2010 and Officer in Charge – Plant Quarantine & Bio Safety Station Muguga, 2001 to 2008.

She holds a PhD in Crop Protection, an MSc in Plant Pathology and a BSc in Agriculture from the University of Nairobi. She is pursuing a Masters of Business Administration, (Strategic Management) at Jomo Kenyatta University of Agriculture and Technology. Dr. Kimani has been instrumental in the development of standards under the International Plant Protection Convention (IPPC), where she has been serving as a standards committee member since 2012. She coordinated the activities for the establishment and operationalization of a Center for Phytosanitary Excellence (COPE) at KEPHIS, which to date has trained over 1044

MANAGEMENT TEAM

Dr. Esther Kimani – Managing Director

Profile on page 9 above

Mr. James Ang'awa - General Manager, Finance & Administration



James joined KEPHIS on 1st April 2017. A Certified Public Accountant of Kenya, he has risen through corporate ranks to become a Senior Finance Executive, Controller, Manager and Trainer. James has extensive experience in corporate governance, strategy formulation, financial control policy development and implementation; intensive Board and Executive Committee contribution; facilitation as well as the administration and coordination of internal and external audits.

His experience spans public and private sectors in various industries and services emphasizing; Higher Education, Research & Technology transfer , FMCGs, Water sector, Manufacturing, Financial Consulting, Professional practice, Automobile Dealerships, Insurance and national budget strategy paper (Bsp) resource allocation. It also includes organization reengineering, development growth and sustainability, executorships of public trust, public sector accounting, staff management, administrative and commercial support. Some of the Companies he's worked for include Jubilee Insurance, Ssangyong Motors (k) Ltd, Kuguru Food Complex Group, KALRO's Sugar Research Institute, and Kisumu Water and Sewerage Company Ltd. James is a holder of a Bachelor's Degree in Accounting and an MBA in Finance and is a member of the institute of Public Accountants of Kenya (ICPAK). He has lectured in Accounting & Finance at Maseno University, and is currently pursuing a PhD at the University of Nairobi.

Mr. Simeon Kibet – General Manager, Quality Assurance



Mr. Kibet joined KEPHIS in October 2000. He has held various senior positions which include; Liaison Officer for Quality Assurance Division, Regional Manager Nakuru and Head Seed Certification & Plant Variety Protection. He has served as the General Manager Quality Assurance since 2010.

Mr. Kibet holds an MPhil degree in Crop production and Seed Technology from Moi University, and a BSC in Agriculture from The University of Nairobi. He has extensive experience in seed quality assurance and has been trained in Seed Technology in Japan, Netherlands and South Africa.

Dr. Isaac Macharia – General Manager, Phytosanitary Services



Dr. Isaac Macharia, the General Manager, Phytosanitary Services holds a PhD in Plant Virology from the University of New England in Australia and Masters of Science in Plant pathology from the University of Nairobi. He has worked with KEPHIS since 2002 where he has served in various capacities; Plant Inspector, head phytosanitary laboratories & Deputy Officer in Charge at Plant Quarantine Station and finally as the Regional Manager - KEPHIS Mombasa. He has undergone extensive phytosanitary training on Pest Risk Analysis & Diagnosis from USDA APHIS and Ohio State University in the USA. During the course of his work he has spearheaded diagnostic services, pest risk analysis, surveillance, import certification and development of phytosanitary policies. This has led to significant growth of the institution and has enabled the industry to access and retain foreign markets.

CHAIRMAN'S STATEMENT

The KEPHIS Board of Governors presents the 2017-2018 Annual Financial Statement report. In the year under review, the Government of Kenya launched the Big Four Agenda with focus on Food and Nutrition Security, Manufacturing and Universal Health. KEPHIS has aligned its projects and programmes to the Big Four with emphasis being on the area of Food Security and Nutrition. Implementation of the Vision 2030 flagship projects was also done during the year under review.

Agriculture is key to the growth in Kenya's economy. The sector contributes 26 per cent of GDP and 27 percent of GDP indirectly through linkages with other related sectors. The sector employs 40 percent of the total population and 70 percent of Kenya's rural population.

According to the Kenya National Economic Survey 2018; the agricultural sector recorded mixed performance in 2017 leading to decelerated growth of 1.6 percent as compared to improvement of 5.1 percent in 2016. The decline in agricultural production was mainly as a result of prolonged drought pests and diseases such as the fall army worm. Overall, total value of marketed production increased 8.2 percent to Kshs. 446.7 billion from Kshs. 413.8 billion in 2016. This was mainly due to better farm gate prices experienced during the period. Maize production declined from 37.8 million bags in 2016 to 35.4 million bags in 2017. The drop in production led to increased imports of maize to bridge the deficit. Wheat production declined by 23.1 per cent from 214.7 thousand tonnes in 2016 to 165.2 thousand tonnes in 2017. Tea production declined by 7.0 per cent to 439.8 thousand tonnes in 2017 and marketed coffee dropped by 15.1 per cent to 33.7 thousand tonnes. The horticultural sub-sector had positive results with the volume of fresh horticultural exports increasing from 261.2 thousand tonnes in 2016 to 304.1 thousand tonnes in 2017. With a total market value of Kshs. 115.3 Bn. as compared to 101.5 billion in 2016.

KEPHIS plays an important role in the country's Agricultural sector through its regulatory function. The Corporation has ensured robust systems and processes are put in place and implemented ensuring high quality agricultural inputs and produce. KEPHIS has also made it possible for Kenya's fresh horticultural produce to maintain its competitiveness in the world market by ensuring market requirements and standards are adhered to by local farmers and producers.

In unveiling the Annual Financial Statement report, the Board appreciates the challenges faced by the Corporation during the year in implementing its mandate. Emerging pests and diseases had to be dealt with during the year. These included the Fall army worm that ravaged maize crop in most parts of the country, False Codling Moth (FCM) in chilies, Potato Cyst Nematode in potatoes among others, Dynamic and new market requirements which result in increased costs of doing business and loss of opportunities especially for horticultural producers, inadequate staffing especially for technical staff and increased demand services for KEPHIS amid limited resources.

Despite the challenges, the Corporation also had major achievements during the year. The Corporation negotiated for re-instatement of exports to South Africa for locally produced Avocado; stringent requirements on export of French beans and beans in pods

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to the EU market were also reviewed thus providing favourable conditions for export of the commodities; undertaking of the second regional Phytosanitary conference and establishment of the Nyeri office to serve parts of Central Kenya.

KEPHIS continues to implement its Strategic Plan 2017/18-2021/22. Set programs and activities have taken into consideration key Government of Kenya economic development priorities as well as relevant areas in the United Nations Sustainable Development Goals (SDGs), the African Union Comprehensive Africa Agriculture Development Programme (CAADP), African Union (AU) Agenda 2063 as well as other regional and International policy documents. The Corporation through its core activities, supports implementation of the Big Four pillar on Food and nutrition security. This is projected to spur growth in the sector especially in seed production for Maize, Potato and Rice. The small and medium agricultural enterprises are also expected to develop thus leading to improved livelihoods, income and wealth for Kenyan farmers.

Growth in the Corporations revenue has been modest over the years. In this regard there is increasing need to focus on development of strategies for resource mobilization, efficient management resources and new service areas. KEPHIS is currently rolling out a program to enhance fees and charges to clients through a public participative process. The process is expected to lead to an improved revenue base and provide adequate resources for running of programmed activities.

I take this opportunity to thank the KEPHIS Board of Directors, management, stakeholders and staff that made the year a success. KEPHIS continues to commit itself towards enhancing Kenya's agricultural sector and economy as well.



**Wycliffe Odhiambo Murwayi
Chairperson, Board of Directors**

REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present to you the Kenya Plant Health Inspectorate Service (KEPHIS) Annual Financial Statement report for the year ended 30th June 2018.

The Corporation continues to play a major role in assuring the quality of agricultural inputs and produce. The overall KEPHIS mandate is stated and operationalized by the KEPHIS Act No. 54 of 2012 and other supportive Acts that include the Seeds and Plant varieties Act CAP 326 and the Plant Protection Act CAP 324. In the year under review, the Corporation embarked on execution of the Strategic Plan for the period 2017/18 – 2021/22.

To ensure agricultural productivity, KEPHIS assured the quality of seed available to farmers through robust seed certification and plant variety activities. During the period 40 Plant Breeder's Rights (PBRs) were issued as compared to 45 last year. In addition 50 new seed varieties were recommended for release during the period, as compared to 69 last year. 33.3% of the varieties gazetted were Maize, 17.8% consisted of Rice varieties and 8.9% were Irish Potatoes and Sorghum respectively.

The Corporation gave support to farmers in assuring quality of other inputs through analysis of fertilizers, water for irrigation, soil and pesticide formulations. This was made possible through accredited laboratories at Analytical Chemistry at Headquarters, Seed Quality lab at Nakuru and the Plant Health Laboratory at Plant Quarantine and Bio-Security station. Other established laboratories are the Kitale seed and Analytical Chemistry laboratory, the molecular laboratory at headquarters. During the period under the review capacity for the laboratories was enhanced through provision of additional laboratory equipment through the EU-SMAP project.

In protecting plants from pest, weeds and invasive species, KEPHIS continued to tackle emergence of new pests and diseases. These included the Fall Army worm, Potato Cyst Nematode (PCN) and the Papaya Mealy bug at the coast. The Corporation collaborated with the Ministry of Agriculture, Livestock, Fisheries and Irrigation, agencies and other partners in developing a strong Early warning system for plant pest and diseases. During the period, KEPHIS enhanced surveillance activities in the field and as a measure to help control and manage emerging pests and diseases. The Corporation also organized the second Phytosanitary Conference. This enabled sharing of knowledge and new developments in the area of plant health internationally and the region.

Trade facilitation remains a key area in implementation of the KEPHIS mandate. KEPHIS initiated the process of use of the e-phyto between Kenya and the Netherlands. This is expected to enhance efficiency in export and import of plant material between the two countries. The Corporation also actively participated in international forums such as the EAC, COMESA, IPPC - CPM, WTO, OECD and CODEX Alimentarius to support the country's position in international trade standards and requirements.

Capacity building in the agricultural sector is paramount for the development of an empowered and skilled manpower. Capacity building for stakeholders was done during the year. KEPHIS through the Centre of Phytosanitary Excellence (COPE) trained 697

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practitioners in the Horticultural sector both at local and regional level as compared to 413 last year.

KEPHIS also engaged local farmers at the County level with the view of ensuring compliance to standards and requirements at the smallholder level. This is expected to enhance productivity and also create market access for local fresh produce. In the period under review KEPHIS undertook various initiatives in Nakuru, Kisii, Kericho, Meru, Nyandarua, Kilifi, Kisumu, Embu, Uasin gishu, Transnzoia, Busia and Bungoma Counties on various aspects of horticultural production. KEPHIS also continues to ensure competencies of its staff are enhanced through regular trainings.

Resource mobilization and management remained a key area of focus for KEPHIS during the period. New revenue streams as well as expansion of KEPHIS services were explored during the year. This included review of the KEPHIS fee and charges structure. In addition, the corporation managed to maintain steady growth levels in its internally generated revenue. Through deployment of strategies on optimal allocation and use of resources sustainability in the Corporation's activities shall be guaranteed. KEPHIS continues to enhance its networks and collaboration with both local and international development partners with a view of exploring avenues of cooperation.

In conclusion, I take this opportunity to sincerely thank the Board, management, staff and stakeholders for the support during the year. KEPHIS is confident that with the support of all stakeholders and partners, we shall attain the vision of ***"Healthy plants, safe trade and sustainable agro-environment for a prosperous Kenya"***.



**Esther W. Kimani, PhD
Managing Director**

CORPORATE GOVERNANCE STATEMENT

The Kenya Plant Health Inspectorate Service (KEPHIS) is established under the Kenya Plant Health Inspectorate Service Act, 2012 (Act) as a regulatory body for the protection of plants, seeds and plant varieties and agricultural produce; responsible, in providing that service for administering The Plant Protection Act (Cap 324); The Seeds and Plant Varieties Act (Cap 326); The Agricultural Produce (Export) Act (Cap 319; and The Suppression of Noxious Weeds Act (Cap 325).

Section 8(1) of the Act provides as follows that there shall be a Board of Directors for the Service which shall, subject to this Act, be responsible for the policy, control and management of the Service, and which shall consist of—

- a) A non-executive chairperson appointed by the President;
- b) The Principal Secretary to the Treasury or a designated representative;
- c) The Principal Secretary in the Ministry responsible for agriculture or a designated representative; and
- d) Not more than seven other persons, not being employees of the Service, and of whom not more than three shall be public officers, appointed by the Cabinet Secretary, with due regard to gender parity, as follows—
 - i. one who shall have knowledge and experience in matters relating to agriculture and research;
 - ii. one who shall have knowledge, and experience in matters relating to the horticultural sector;
 - iii. one who shall have knowledge and experience in matters relating to the seed sector, and
 - iv. four who shall have knowledge and experience in matters relating to the functions of the Service;
- e) The managing director, who shall be secretary.

During the 2017/2018 financial year, composition of the Board was as follows:

Chairman - Mr. Wycliffe Murwayi
Members - Mr. Julius Mutua
Mr. Joseph Ng'etich
Prof. Anne W.T. Muigai
Mr. William K. Ngelechei
Ms. Teresa Muthoni Muchira
Eng. M'Mwenda Kailu Joseph
Eng. Khamis Chome Abdi
Dr. Esther Kimani

Board Committees

Pursuant to section 11(2) of the Act the following Committees were in place during the financial year:

- 1) Technical Committee
- 2) Finance Committee
- 3) Human Resource and Administration Committee
- 4) Audit Committee

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The committees were formed so as to assist the board to effectively and efficiently carry out its functions under well-defined terms of reference set by the board.

During the 2017/2018 financial year, Board and Committee meetings were held as follows:

- 1) Technical Committee – Five (5) No.
- 2) Finance Committee – Five (5) No.
- 3) Human Resource and Administration Committee – Three (3) No.
- 4) Audit Committee - Six (6) No.
- 5) Board – Seven (7) No.

Attendance to those meetings by members was as follows:

Board Member	Technical Committee Meetings (5 No.)	Finance Committee Meetings (5 No.)	Human Resource & Administration Committee Meetings (3 No.)	Audit Committee Meetings (6 No.)	Board Meetings (7 No.)	Total No. of Meetings Attended
Mr. Wycliffe O. Murwayi	-	-	-	-	7	7
Eng. Khamis Chome Abdi	5	5	3	-	7	20
Prof. Anne W. T. Muigai	5	-	-	4	7	16
Eng. Kailu M'Mwenda Joseph	5	5	3	-	7	20
Mr. William Kisorio Ngelechei	5	5	3	-	7	20
Ms. Teresa Muthoni Muchira	5	-	3	6	7	21
Mr. Joseph Ngetich	-	-	2	3	4	9
Mr. Julius Mutua	-	3	-	5	6	14
Dr. Esther Kimani	5	5	3		7	20

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Succession Planning

Appointment of Board members as provided for under the Act has been staggered in such a way that there is retention, continuity and transfer of institutional memory.

Existence of a Board Charter

There exists a Board Charter that sets out the mandate of the Board and the respective roles of the Chairperson and members as well as provisions on orientation, training, and board evaluation.

Induction and training

Capacity building training on KEPHIS mandate, functions, and operations undertaken in August, 2017.

Training on Finance for Non-Finance Managers was undertaken in December, 2017 at the Kenya School of Government.

Board and Member Performance

Evaluation of the Board, Chairperson, Individual Board Members, and Chief Executive Officer is undertaken annually at the end of the financial year pursuant to the requirement under the State Corporations Act.

Conflict of Interest

Conflict of Interest is a standing agenda item in all Committee and Board Meetings. A register is also maintained and duly filled during all the Committee and Board meetings.

Board Remuneration

Currently governed under the 2004 Guidelines on Terms and Conditions of Service for State Corporations' Chief Executive Officer, Chairmen and Board Members, Management and Unionisable Staff.

Governance Audit

The Board has embarked on building in-house capacity in readiness for the 1st Self-Assessment as well as external Governance Audits during the 2018/2019 financial year upon accreditation of Governance Auditors by the State Corporations Advisory Committee.

Organization risk

The organisation has defined its risk in following four broad categories based on the organization's mandate and strategic orientation.

Financial Risk: Relates to inability to realize funds to support the entire operations of the organization as per the budget. This may be caused due to delayed disbursement from treasury, lack of financial support from development partners and low business negatively affecting internally generated funds.

Operational Risk: this is inability to meet the expected level of plant safety hence failure to meet food security, sustainable development and competitive advantage as envisioned by KEPHIS. The risk may be caused by inadequate external support from the line ministry, unforeseen factors i.e pests, weather etc and policy changes.

Reputational risk: this relates to bad or negative publicity of the organization. This may be caused by pests, diseases, low productivity and systems failure.

Governance Risk: relates to failure in corporate governance structure. This may be caused by lack of adherence to corporate governance principals and political interference.

Key interventions implemented

The following mitigation measures have been put in place

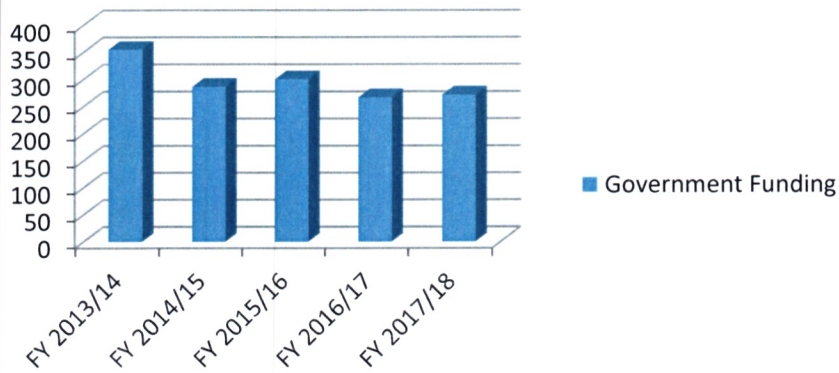
- i. Development of concepts to attract external funding from partnering donors
- ii. Enhanced negotiations with the government to increase funds allocation
- iii. Partnering with county governments and other stakeholders on cost sharing
- iv. Adequate planning to mitigate operational risk
- v. Surveillance, Maintenance and upgrade of systems
- vi. Training and adoption of the Mwongozo code of conduct

Financial Analysis

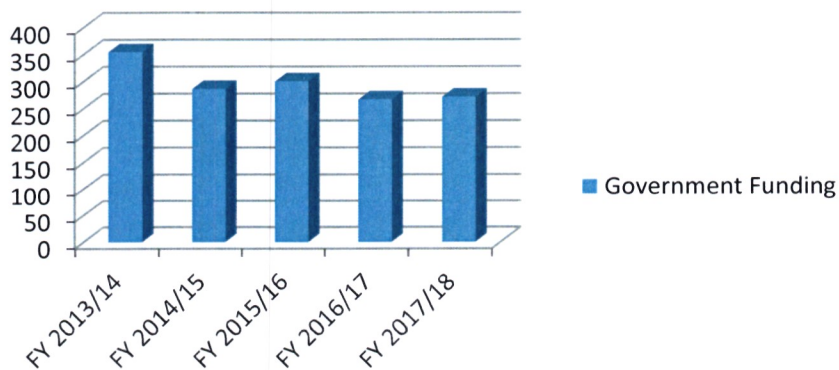
YEAR	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Revenue from services Rendered	538,782	581,089	575,043	606,022	883,342
Government Funding	354,816	286,435	300,393	266,903	271,633
Net Surplus	75,356	(32,520)	(158,383)	(43,359)	15,144

**Kenya Plant Health Inspectorate Service,
Annual Reports and Financial Statements
For the year ended June 30, 2018**

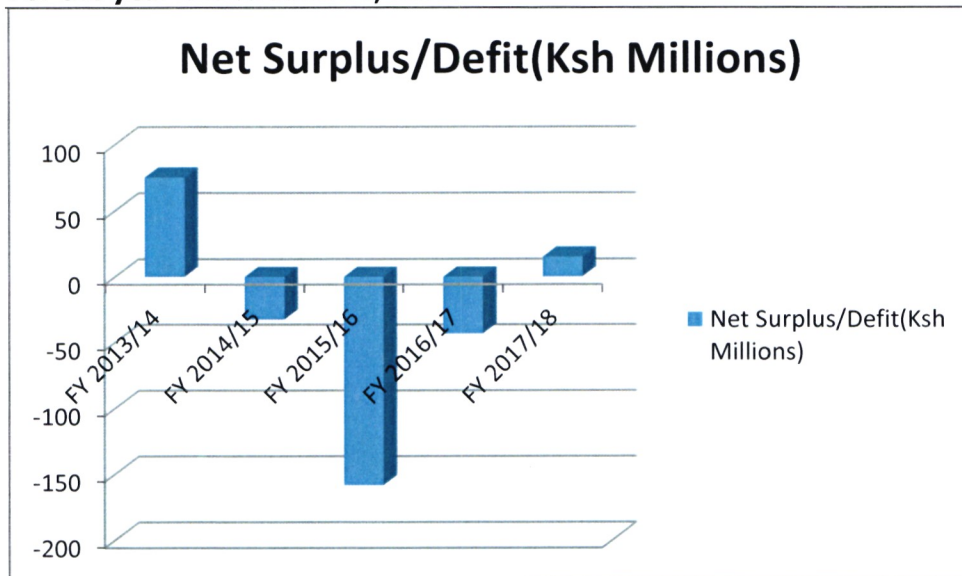
Government Funding(Ksh.Millions)



Government Funding(Ksh.Millions)



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CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The national government is focused on four pillars under the banner title the 'Big 4 Agenda. These are: manufacturing, universal healthcare, affordable housing and food security. One of the corporation's core value is corporate social sustainability. In line with this, the Corporation donated grafted avocado seedlings, a greenhouse with tomatoes planted, and a water tank to Mukuria Primary School in Embu County as part of its sustainability initiatives. In addition, KEPHIS put up window grills in the ECD classrooms so that the vagaries of the weather such as heavy winds do not disturb the children while learning.

Mr. James Ang'awa, the general manager in charge of Finance, and other KEPHIS staff represented the corporation at the event. In a speech read on behalf of the Managing Director, the GM said that corporation's sustainability initiatives target the less disadvantaged with the aim of improving their standards of living. The event was also attended by several government officials including former Embu Senator Hon. Lenny Kivuti, an alumni of the school.



The greenhouse and water tank donated by KEPHIS; tomato seedlings planted in the greenhouse under drip irrigation.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the corporation's affairs.

Principal activities

The principal activities of the Corporation are as expounded in the KEPHIS legal framework i.e. Plant Variety Protection, Seed Certification, Analytical Chemistry Laboratory Services and Phytosanitary Services; others include Corporate Nature Activities, Project implementation and Support services.

Results

The results of the entity for the year ended June 30, 2018 are set out on pages 24 to 28.

Directors

The members of the board of directors who served during the year are shown on page vii and 5 in accordance with section 6 (1) (a) of the State Corporations Act (Cap. 446).

Auditors

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

By Order of the Board



Secretary to the Board of Directors, KEPHIS

Date:.....8/4/2019.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 16 of the KEPHIS Act No.54 of 2012, require the Directors to prepare financial statements in respect of KEPHIS, which give a true and fair view of the state of affairs of the corporation at the end of the financial year and the operating results of the corporation for the period. The Directors are also required to ensure that the corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the corporation. The Directors are also responsible for safeguarding the assets of the corporation.

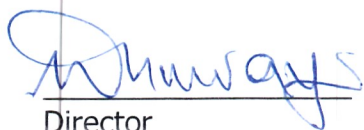
The Directors are responsible for the preparation and presentation of the corporation's financial statements, which give a true and fair view of the state of affairs of the corporation for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate 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 corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the corporation'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 KEPHIS Act. The Directors are of the opinion that the corporation's financial statements give a true and fair view of the state of corporation's transactions during the financial year ended June 30, 2018, and of the corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the corporation, which have been relied upon in the preparation of the corporation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the corporation 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 corporation's financial statements were approved by the Board on 28th August 2018 and signed on its behalf by:



Director



Director



Director



REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Plant Health Inspectorate Service (KEPHIS) set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2018, and 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 effects 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 Kenya Plant Health Inspectorate Service as at 30 June 2018, 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 Kenya Plant Health Inspectorate Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

Property plant and equipment balance of Kshs.1,086,717,000 as at 30 June 2018 includes eleven parcels of land valued at Kshs.264,666,000 situated in Nakuru, Muguga, Kitale, Kabete, Embu, Karen and Kisumu. However, and except for land in Karen, Embu, Kabete and Kisumu, the Inspectorate Service does not possess ownership documents for the others.

As reported previously, out of the 125.3 hectares of land in Kitale held by third parties, the Inspectorate Service has so far recovered 34.09 hectares while a balance of 91.21 hectares is still held by private developers or occupied by squatters. Further, although the management has initiated the process of transferring the ownership of Nakuru and Muguga parcels of land from KARLO (formerly KARI) to KEPHIS, it is not clear if and when titles will be obtained.

In view of the above matters, it has not been possible therefore to confirm that property, plant and equipment balance of Kshs.1,086,717,000 as at 30 June 2018 is fairly stated.

Report of the Auditor-General on the Financial Statements of Kenya Plant Health Inspectorate Service for the year ended 30 June 2018

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Plant Health Inspectorate Service in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section, I have determined that there are no key audit matters to communicate in my report.

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 Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Employee Costs

The statement of financial performance for the year ended 30 June 2018 and as disclosed under Note 12 to the financial statements reflects an expenditure of Kshs.524,784,000 relating to employee costs. This expenditure includes an amount of Kshs.78,932,000 relating to contributions to pensions and medical aids, out of which Kshs.30,645,765 was paid as medical cover premium to National Hospital Insurance Fund (NHIF) for the Inspectorate Service employees. However, examination of documents in respect of the insurance premium has revealed the following anomalies:

- (i) The Inspectorate Service has continued to make the mandatory statutory NHIF deductions from employees which amounted to Kshs.6,378,800 during the year under review but for which available information shows that the employees and their dependants were denied the accruing benefits.
- (ii) The procurement of the medical Insurance was done through what has been explained as government to government and consequently, the procurement process was not fair, transparent, competitive and cost-effective as required under Article 227(1) of the Constitution of Kenya.

- (iii) The contract document signed between the Inspectorate Service and the Fund indicated the period covered to be between 15 May 2017 and 14 May 2017. Based on the dates of the period covered as stated in the contract document, it is not clear whether this was a binding contract between the Inspectorate Service and the Fund.
- (iv) No documentary evidence has been provided to confirm that the employees were made aware by the Inspectorate Service that they would forfeit the benefits accruing from their monthly contributions to the Fund (NHIF) upon joining the new medical cover scheme.

In the absence of adequate evidence and explanations, it is not possible to confirm whether there was value for money to the Inspectorate and its employees from the contract with the National Hospital Insurance Fund.

2. Remuneration of Directors

The statement of financial performance for the year ended 30 June 2018 and as disclosed under Note 13 to the financial statements reflects an expenditure of Kshs.17,726,000 in respect of remuneration paid to the directors. Included in this figure is an amount of Kshs.459,626 being mileage allowances paid to a director, who was appointed on a three years' contract term as a board member with effect from 31 May 2016. Her appointment letter Ref: MOA/B.1/60A/3(TY)Vol.1/124 of 10 August 2016 shows her permanent address as Nairobi whereas records examined revealed that the director made mileage claims based on Meru as her permanent residence. It is not clear and the management has not explained and produced evidence for verification as to when the permanent residence of the director changed from Nairobi to Meru.

In addition, the records examined indicated that the Inspectorate Service paid a total of Kshs.654,000 as allowances to non-board members in attendance during the board committee meetings during the year under audit. The Inspectorate Service was, therefore, in breach of the law.

The audit was conducted in accordance with 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for

Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 Those Charged with Governance

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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of Kenya Plant Health Inspectorate Service to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity 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 control may not prevent or detect misstatements and instances of noncompliance. 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 control.
- 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 going concern 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 Inspectorate Services' ability of Kenya Plant Health Inspectorate Service 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 Inspectorate Service to cease sustaining 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 Kenya Plant Health Inspectorate Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

24 April 2019

Kenya Plant Health Inspectorate Service
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2017-2018	2016-2017
		Kshs '000'	Kshs '000'
Revenue from non-exchange transactions			
Public contributions and donations	6	97,237	58,652
Transfers from other governments – gifts and services-in-kind	7	271,633	266,903
		368,870	325,555
Revenue from exchange transactions			
Rendering of services	8	883,468	606,022
Rental revenue from facilities	9	5,726	5,276
Finance income - external investments	10	1,491	1,334
Other income	11	5,639	3,013
		896,324	615,645
Total revenue		1,265,195	941,200
Expenses			
Employee costs	12	524,784	493,852
Remuneration of directors	13	17,726	15,210
Depreciation and amortization expense	14	86,847	86,789
Repairs and maintenance	15	74,240	49,661
Grants and subsidies	16	80,082	47,331
General expenses	17	457,158	303,248
Total expenses		1,240,837	996,091
Other gains/(losses)			
Gain on sale of assets		-	1,073
Gain/Loss on foreign exchange transactions		378	372
Increase/Decrease in provision for doubtful debts		(3,699)	10,087
		(3,321)	11,532
Surplus/(deficit) for the period/year		21,037	(43,359)


The notes set out on pages 6 to 27 form an integral part of these Financial Statements

Kenya Plant Health Inspectorate Service
Annual Reports and Financial Statements
For the year ended June 30, 2018


STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2017-2018	2016-2017
		KShs 000	KShs 000
Assets			
Current assets			
Cash and cash equivalents	18	104,258	33,756
Receivables from exchange transactions	19	118,047	65,813
Receivables from non-exchange transactions	20	3,860	1,293
Inventories	21	36,072	48,026
Prepayments	22	44,287	27,252
		306,523	176,140
Non-current assets			
Property, plant and equipment	23	1,086,717	1,152,831
Investments	24	60,000	60,000
		1,146,717	1,212,831
Total assets		1,453,240	1,388,971
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	78,444	31,040
Provisions	26	961	961
Deferred income	27	152,352	153,573
Payments received in advance		8,526	4,170
Other payables		-	7,306
		240,283	197,050
Total liabilities		240,283	197,050
Net assets		1,212,958	1,191,921
Reserves		451,194	451,194
Accumulated surplus		761,763	740,727
Total net assets and liabilities		1,212,958	1,191,921

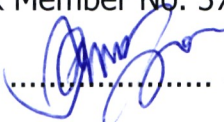
The Financial Statements set out on pages 1 to 27 were signed on behalf of the Board of Directors by:


Managing Director
Dr. Esther Kimani

GM Finance & Administration
James Ang'awa
CPAK Member No. 3784


Chairman of the Board
Mr. Wycliffe O. Murwayi

Date..... 8/4/2019

Date.....  8/4/19

Date..... 08/04/2019

Kenya Plant Health Inspectorate Service
Annual Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation reserve	Retained earnings	Total
At July 1, 2016	451,194	784,075	1,393,662
Surplus/Deficit for the period	-	(43,348)	(43,358)
At June 30, 2017	451,194	740,727	1,191,921
At July 1, 2017	451,194	740,727	1,191,921
Surplus/Deficit for the period		21,037	21,037
At June 30, 2018	451,194	761,764	1,212,958

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

		2017- 2018	2016- 2017
		KShs 000	KShs 000
Cash flows from operating activities			
Receipts			
Public contributions and donations		94,166	37,340
Government grants and subsidies		271,633	266,903
Rendering of services		886,539	606,531
Finance income		1,491	1,334
Other income, rentals and agency fees		11,365	8,312
Total Receipts		1,265,194	920,510
Payments			
Compensation of employees		524,784	493,852
Goods and services		645,272	448,157
Rent paid		5,184	3,528
Total Payments		1,175,240	945,537
Net cash flows from operating activities	45	89,954	(25,027)
Purchase of property, plant, equipment and intangible assets		(19,452)	(12,434)
Proceeds from sale of property, plant and Equipment		-	1,475
Net cash flows used in investing activities		(19,452)	(10,959)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		70,502	(35,986)
Cash and cash equivalents at 1 July 2017	28	33,756	69,742
Cash and cash equivalents at 30 June 2018	28	104,258	33,756

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Revenue					
Public contributions and donations	97,750	-	97,750	97,237	(513)
Government grants and subsidies	272,000	(367)	271,633	271,633	-
Rendering of services	631,961	167,512	799,473	883,468	83,995
Finance Income	1,350	-	1,350	1,491	141
Gains on disposal, rental income and agency fees, Hire of Facilities fee	9,342	(4,934)	4,409	5,726	1,317
Other Income	3,072	7,902	10,974	5,639	(5,335)
Total income	1,015,475	170,113	1,185,588	1,265,195	79,605
Expenses					
Compensation of employees	457,333	6,946	464,280	524,784	(60,504)
Board Expenses	15,557	4,201	19,758	17,726	2,032
Depreciation & Amortisation	117,133	(46,004)	71,129	86,847	(15,717)
Repairs & Maintenance	48,450	18,963	67,413	74,240	(6,827)
Grants and subsidies paid	97,750	-	97,750	80,082	17,668
General Expenses	375,455	115,095	490,550	457,158	33,392
Total expenditure	1,111,679	99,203	1,210,881	1,240,837	(29,925)
Surplus for the period	(96,203)	70,910	(25,293)	24,358	109,530

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Kenya Plant Health Inspectorate Service (KEPHIS) was established in 1996 through Legal Notice No. 305 until the enactment of Kenya Plant Health Inspectorate Service Bill, 2011 in December 2012. KEPHIS is domiciled and is a regulatory body for the protection of plants, seeds and plant varieties.

2. Statement of Compliance and Basis of preparation

The financial statements have been prepared on a historical cost basis unless stated otherwise. 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 corporation's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the corporation and all values are rounded to the nearest thousand (Ksh000).

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.

3. Adoption of new and revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018.

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

The Corporation recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Corporation and the fair value of the asset can be measured reliably.

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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The entity 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 the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 30th March 2017. 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 corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the corporation recorded additional appropriations of Kshs.323,877.00 million on the 2017-2018 budget following the governing body's approval.

The corporation'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 five of these financial statements.

c) Taxes

Government grant is not subject to tax. The Corporation just like the Ministries of Government, operates on non-commercial basis. Surpluses are necessarily already utilized on purchase of assets. In addition surplus relates to GOK grant.

d) Property, plant and equipment

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

The depreciable amounts of assets (cost or valuation amount less residual value) are allocated over the estimated useful life of the assets. Depreciation is calculated on the straight-line method. Depreciation is applied on pro rata basis for assets acquired i.e. from month of acquisition. Assets disposed of during the year are not depreciated.

The Corporation applies the following rates of depreciation:

- Freehold land - nil
- 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 33.33%

The following residual values have been adopted:

- Plant and Machinery 10%

- Motor Vehicles 10%
- Furniture and Fixtures 5%
- Laboratory Equipment 5%
- Computers and Accessories 5%
- Office Equipment 5%

e) Leases

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

f) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized as surplus or deficit.

Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or a Corporation of financial assets is impaired. A financial asset or a Corporation of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Corporation of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Corporation of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

g) Inventories

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

Costs incurred in bringing each product to its present location and condition is accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

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

h) Provisions

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

Where the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Corporation does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements. Reserves of 451,194,344 reflected in the financial statements arose out of revaluation of corporation assets.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

The Corporation provides defined contribution plan under which it pays fixed contributions into a separate Corporation (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June was KShs. 101.05. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) Related parties

The Corporation regards a related party as a person or an entity with the ability to exert control individually or jointly or exercise significant influence over it, or vice versa. Members of the Board or Directors are regarded as parties.

n) Cash and cash equivalents

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

cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

p) 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, 2018.

5. Significant judgments and Sources of estimation uncertainty

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

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 Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were determined on consideration of relevant factors affecting receivables and in line with the organizational policies and procedures. General provision for doubtful debts was maintained at 7.5%.

6. Public contributions and donations

Description	2017-2018 KShs 000	2016-2017 KShs 000
COPE	8,152	12,882
IITA COMPRO	2,153	451
COMESA/RIIP	20,000	10,000
SASHA II Sweet potato	675	4,018
CIP- Pre-basic seed revolving fund	827	1,901
KFC/KAVES		1,553
Agri experience		4,184
CIP Ralstonia	494	465
CIMMYT		1,574
USAID FOODSCAP	61,800	
EU SMAP	65	
Total receipts	94,166	37,028
Asset donation	1,850	143,005
Total transfers and sponsorships	96,016	180,033
Reconciliation of public contributions and donations		
Balance unspent at beginning of quarter	153,573	32,192
Current year receipts	96,016	180,033
Conditions met - transferred to revenue	(97,237)	(58,652)
Conditions to be met - remain liabilities	152,352	153,573

These funds are received from various development partners and stakeholders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Transfers from other governments

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Unconditional grants		
Operational grant	271,633	266,903
Other	-	-
	271,633	266,903
Conditional grants		
Development Grant	-	-
Total government grants and subsidies	271,633	266,903

8. Rendering of services

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Phytosanitary Services	603,834	413,808
Seed Certification	231,866	150,360
Plant Variety Services	23,532	24,034
Analytical Laboratory Services	18,077	9,553
Other	6,159	8,267
Total revenue from the rendering of services	883,468	606,022

9. Rental revenue from facilities

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Hire of Facilities	5,726	5,276
Total rentals	5,726	5,276

The revenue is generated from fees charged for use of the corporation's conference and accommodation facility at the headquarters.

10. Finance income

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Finance income	1,491	1,334
Total finance income	1,491	1,334

This is revenue from staff mortgage fund and negotiated current account interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Other income

Description	2017-2018 KShs 000	2016-2017 KShs 000
Miscellaneous receipts	5,639	3,013
Total other income	5,639	3,013

12. Employee costs

	2017-2018 KShs 000	2016-2017 KShs 000
Salaries and wages	275,554	244,644
Contributions to pensions and medical aids	78,932	80,700
Other personal allowances	51,146	66,331
Housing benefits and allowances	103,939	93,258
Overtime payments	3,189	3,407
Staff training	12,024	5,512
Employee costs	524,784	493,852

13. Remuneration of directors

Description	2017-2018 KShs 000	2016-2017 KShs 000
Directors emoluments	15,922	14,016
Medical premium	760	130
Chairman's Honoraria	1,044	1,064
Total director emoluments	17,726	15,210

14. Depreciation and amortization expense

Description	2017-2018 KShs 000	2016-2017 KShs 000
Property, plant and equipment	86,847	86,790
Total depreciation and amortization	86,847	86,790

15. Repairs and maintenance

Description	2017-2018 KShs 000	2016-2017 KShs 000
Property	16,428	11,919
Equipment and machinery	24,214	15,676
Vehicles	33,598	22,066
Total repairs and maintenance	74,240	49,661

16. Grants and subsidies

Description	2017-2018	2016-2017
Statement of financial performance	KShs 000	KShs 000
EAAPP - World Bank	3	4
COPE	6,685	15,917
ASSIP Kenya - Netherlands Embassy	3	374
SASHA II	1,744	3,281
IITA BGMF Basic seed (5CP	1,050	110
Netherlands Potato seed		200
IITA COMPRO II		900
EU SMAP	1,499	8,064
COMESA/RIIP	24,690	14,812
STDF COMESA	30	486
KFC/KAVES	612	108
Pre-basic Seed Fund PQS	459	335
CIP	498	
IITA Cassava	1,503	
CIMMYT	1,529	
USAID FOODSCAP	38,616	
Agri-Experience/ Seed	1,163	2,740
	80,082	47,331
Statement of financial position		
Donated assets	17,155	11,321
Total grants and subsidies	97,237	58,652

17. General expenses

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Advertising	3,146	2,208
Audit fees	961	836
Consumables	52,526	17,632
Electricity	17,403	18,118
Fuel and oil	25,784	19,939
Insurance - Assets	6,481	6,622
Chemicals	29,544	16,961
Water	1,655	492
Postage	3,749	3,647
Printing of security documents and other materials	64,496	34,297
Hire charges	2,042	1,554
Rental	5,184	3,528
Security and cleaning costs	26,837	20,152
Telecommunication	20,249	18,472
Training farmers and other	11,910	4,971

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stakeholders		
Trade Shows and Exhibitions	19,933	12,045
Traveling and Accommodation -Local	106,717	72,305
Traveling and Accommodation - External	16,059	10,091
Contracted Services	11,470	16,028
Other	31,010	23,350
Total general expenses	457,158	303,248

18. Cash and cash equivalents

Institution	Description	Account No.	2017-2018	2016-2017
			KShs 000	KShs 000
CBA	KEPHIS USAID	6523810022	29,731	
KCB	KEPHIS	1108285430	25,563	10,431
KCB	KEPHIS(Dollar)	1104843269	10,882	1,426
KCB	KEPHIS	1108285678	1,488	8,590
KCB	Kephis-Assip	1138298948	294	299
KCB	Kephis-Cope	1130043959	2,504	1,166
KCB	Kephis sinking Fund	1128368366	1,082	1,095
KCB	Kephis EAAPP Project	1121039685	263	268
NIC	EU Smap	1001569364	1,531	3,564
KCB	Kephis Kisumu	1104038307	492	-
KCB	Kephis Kitale	1108814093	858	-
KCB	Kephis Chief Grader	1101574712	9	8
KCB	Kephis Naivasha	1121954359	22	61
KCB	Kephis Nakuru	1101844876	-2	1,091
KCB	Kephis Plant Quarantine	1107093724	401	993
KCB	JKIA		2	-
CBA	Kephis JKIA	6523810017	11,526	2,822
KCB	Kephis Embu	1102966649	644	326
	MPESA		16,081	306
	Un-deposited funds		771	1,310
	Total cash and cash equivalents		104,141	33,756

19. Receivables from exchange transactions

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Current receivables		
Service debtors	133,618	77,685
Less: impairment allowance	(15,571)	(11,872)
Total current receivables	118,047	65,813

20. Receivables from non-exchange contracts

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Current receivables		
Staff advances	20	173
Interest receivable	1,491	419
Medical Advance	2,349	701
Total current receivables	3,860	1,293

21. Inventories

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Consumable stores	29,441	
Lab stores	6,631	
Total inventories at the lower of cost and net realizable value	36,072	48,025

22. Prepayments

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Prepayment Supplies	27,264	15,576
Travel Imprests	9,553	6,038
Deposit Supplies	7,470	5,638
Total Prepayments	44,287	27,252

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Property, plant and equipment

COST OR VALUATION cost:Shs.'000'	LAND	BUILDINGS	PLANT AND MACHINERY	MOTOR VEHICLES	COMPUTERS & ACCESSORIES	OFFICE EQUIPMENT	FURNITURE & FITTINGS	LABORATORY EQUIPMENT	TOTALS
July 1st 2016	264,666	639,699	75,561	192,673	73,920	21,369	13,362	222,153	1,503,401.60
Additions	-	-	-	-	5,472	2,360	680	146,928	155,440
Transfer	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	(4,050)	-	-	-	-	-
At 30th June 2017	264,666	639,699	75,561	188,623	79,392	23,729	14,042	369,081	1,654,791
July 1st 2017	264,666	639,699	75,561	188,623	79,392	23,729	14,042	369,081	1,654,791
Additions	-	-	480	1,850	10,568	3,729	1,440	2,664	20,732
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2018	264,666	639,699	76,040	190,473	89,961	27,457	15,482	371,745	1,675,524
DEPRECIATION									
July 1st 2016	-	60,990	28,652	153,621	48,625	10,982	7,869	108,080	418,819
Charge for the year	-	12,794	8,973	12,149	10,399	2,755	1,634	38,086	86,790
Disposal	-	-	-	(3,649)	-	-	-	-	(3,649)
Accumulated at 30th June 2017	-	73,784	37,625	162,121	59,024	13,738	9,503	146,166	501,960
July 1st 2017	-	73,784	37,625	162,121	59,024	13,738	9,503	146,166	501,960
Charge for the year	-	12,794	8,997	7,607	8,739	2,924	1,742	44,044	86,847
Disposal	-	-	-	-	-	-	-	-	-
Accumulated at 30th June 2018	-	86,577	46,621	169,728	67,763	16,662	11,245	190,209	588,807
Net Book Value at 30th June 2018	264,666	553,122	29,419	20,745	22,197	10,796	4,237	181,536	1,086,717
Net Book Value at 30th June 2017	264,666	565,915	37,935	26,502	20,368	9,991	4,538	222,915	1,152,831

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Investment

Description	2017-2018	2016-2017
Fixed deposits	KShs 000	KShs 000
At beginning of the year	60,000	60,000
Additions	-	-
Depreciation	-	-
At end of the year	60,000	60,000

25. Trade and other payables from exchange transactions

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Trade Creditors	59,601	31,040
Sundry Creditors	14,586	1,090
Tax Liability	4,257	6,216
Total trade and other payables	78,444	38,346

26. Current provisions

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Statement of financial performance		
Balance at the beginning of the year	961	961
Additional Provisions	-	-
Provision utilised	-	-
Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
Balance at the end of the year	961	961
Statement of financial performance		
Balance at the beginning of the year	11,872	21,958
Additional Provisions	3,699	-
Provision utilised		(10,086)
Change due to discount and time value for money		-
Balance at the end of the year	15,571	11,872

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Deferred income

Description	2017-2018	2016-2017
	KShs 000	KShs 000
Public contributions and donations	35,973	21,889
Donated assets	116,379	131,684
Total deferred income	152,352	153,573

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers	Muguga and Nakuru land are not in dispute and are part of larger parcels held by KALRO. The Corporation obtained letters of no objection from KALRO to process sub-division and titles for the two parcels. The process is still ongoing. In regard to Kitale land, the Corporation has over the years made a lot of effort to obtain title for the land and recover the encroached portion. These efforts can only succeed with full support of the Government.	Dr. Esther Kimani, Managing Director	Not resolved by the date of submitting this report to National Treasury	Not possible to project due to the fact that there are other key stakeholders involved in the process.
	Payments made to former CEO who had been sent on prolonged leave by the Ministry	The matter was handled by the Ministry. The Corporation complied with Human Resource Policy and the law in handling the matter.			


Managing Director

Date:8/4/2019.....

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APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 17/18				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		29/06/2018	22,636	FY 2017/18
		06/10/2017	22,636	FY 2017/18
		01/09/2017	22,636	FY 2017/18
		02/02/2018	22,636	FY 2017/18
		02/03/2018	22,636	FY 2017/18
		04/04/2018	22,636	FY 2017/18
		03/05/2018	22,636	FY 2017/18
		31/05/2018	22,636	FY 2017/18
		06/11/2017	22,636	FY 2017/18
		30/11/2017	22,636	FY 2017/18
		27/12/2017	22,636	FY 2017/18
		07/08/2017	16,977	FY 2017/18
		29/08/2017	5,659	
		TOTAL	271,633	

