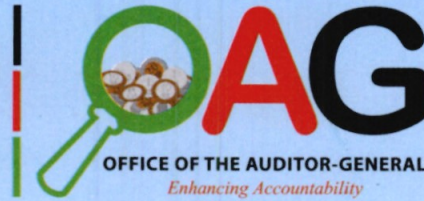



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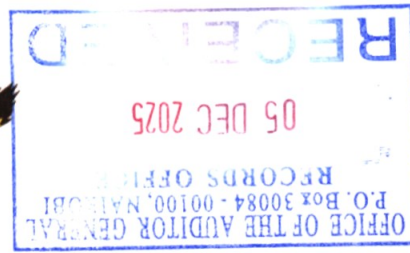
 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 FEB 2026	DAY: WEDNESDAY
OF ABLED BY:	LEADER OF MAJORITY PARTY HON. KIMINI (CHUNGWATH)
CLERK-AT THE-TABLE:	J. LEMERELLE

THE AUDITOR-GENERAL

ON

KENYA PLANT HEALTH INSPECTORATE SERVICES

FOR THE YEAR ENDED
30 JUNE, 2025



KENYA PLANT HEALTH INSPECTORATE SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30 JUNE 2025

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

TABLE OF CONTENTS

1.	ACRONYMS AND DEFINITION OF KEY TERMS	iii
2.	KEY ENTITY INFORMATION AND MANAGEMENT	iv
3.	THE BOARD OF DIRECTORS	viii
4.	KEY MANAGEMENT TEAM	xvi
5.	CHAIRMAN'S STATEMENT	xix
6.	MANAGING DIRECTOR'S STATEMENT	xx
7.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	xxiii
8.	CORPORATE GOVERNANCE STATEMENT	xxvii
9.	MANAGEMENT DISCUSSION AND ANALYSIS	xxxii
10.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxxiv
11.	REPORT OF THE DIRECTORS	xxxviii
12.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxix
13.	REPORT OF THE INDEPENDENT AUDITORS ON KENYA PLANT HEALTH INSPECTORATE SERVICE	xli
14.	STATEMENT OF FINANCIAL PERFORMANCE FINANCIAL YEAR 2024/25	1
15.	STATEMENT OF FINANCIAL POSITION FINANCIAL YEAR 2024/25	2
16.	STATEMENT OF CHANGES IN NET ASSETS FINANCIAL YEAR 2024/25	3
17.	STATEMENT OF CASH FLOWS FINANCIAL YEAR 2024/25	4
18.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FY 24/25	5
19.	NOTES TO THE FINANCIAL STATEMENTS	8
20.	Appendices	37

1. ACRONYMS AND DEFINITION OF KEY TERMS

A: Acronyms and Abbreviations

ACL	Analytical Chemistry Laboratory
BOD	Board of Directors
CPAK	Certified Public Accountant of Kenya
COMESA	Common Market for East and Southern Africa
COPE	Centre of Phytosanitary Excellence
DOB	Date of Birth
EU	European Union
EAC	East African Community
FY	Financial Year
GOK	Government of Kenya
ICT	Information and Communication Technology
IECS	Import and Export Certification System
IPPC	International Plant Protection Convention
IPSAS	International Public Sector Accounting Standards
KEPHIS	Kenya Plant Health Inspectorate Service
KPI	Key Performance Indicators
KRAs	Key Result Areas
MD	Managing Director
MRL	Maximum residual Level
NPT	National Performance Trials
OAG	Office of the Auditor General
OECD	Organisation for Economic Cooperation and Development
OCOB	Office of the Controller of Budget
PBR	Plant Breeders Rights
PFM	Public Finance Management
PIP	Plant import Permit
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PVP	Plant Variety Protection
SAGAs	Semi-Autonomous Government Agencies
USDA	United States Department of Agriculture
WTO-SPS	World Trade Organisation- Sanitary and Phytosanitary measures

B: Definition of Key Terms

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

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

Kenya Plant Health Inspectorate Service (KEPHIS) is a regulatory body established by the KEPHIS Act No.54 of 2012. The role of the KEPHIS is to undertake regulatory function in the agricultural sector on matters regarding plant protection, seeds and plant varieties to assure quality of agricultural inputs and produce. KEPHIS is the designated National Plant Protection Organization, the National Designated Authority on Seed Quality and the National Plant Breeders Rights Office.

b) Principal Activities

The functions of KEPHIS are outlined in the KEPHIS Act No. 54 of 2012 as follows:

- 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 biosafety regulations on the introduction and use of genetically or living modified species of plants, insects and microorganisms, 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 microorganisms;
- 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 authorised 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.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Key Entity Information and Management (continued)

c) Board and Key Management

The KEPHIS day-to-day management is under the following key organs:

No	Designation	Name	
1.	Board of Directors	1. Hon. Joseph M’eruaki	Chairman
		2. Prof. Theophilus M. Mutui	Managing Director
		3. Mr. Silas Killingo	Member
		4. Mr. Moses Atuko – up to 26 th October 2024	Member
		5. Dr. Rose Njeru – up to 26 th October 2024	Member
		6. Prof. Albert Kimutai	Member
		7. Hon. CPA Hussein Haji	Member
		8. Mr. Samuel Manja	Member
		9. Mr. Julius Mutua	Member
		10. Mr. James Wanjohi	Member
		11. Ms. Sylvia Mulama Kamande	Member
		12. Ms. Roselyn Chepng’eno Lang’at	Member
		13. Ms. Jean Njiru	Member
2.	Managing Director	Prof. Theophilus M. Mutui	
3.	Director Phytosanitary and Biosecurity	Dr. Isaac Macharia	
4.	Director seed certification and Plant Variety Protection	Mr. Simon Maina	
5	Corporation Secretary and Director Legal Services	Ms. Faith Kaluai	
6	Director Internal Audit and Governance	Mr. David Kagoithe	
7	Director Corporate Services	Ms. Nancy Ndumia	
8	Ag. Director Laboratory Services	Ms. Florence Munguti	
9	Ag. Director Planning and Strategy	Mr. Nicholas Tunya	
10	Manager Supply Chain Management	Ms. Ireen Nyaga	

d) Fiduciary Management

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

	Designation	Name
1.	Managing Director	Prof. Theophilus M. Mutui
2.	Corporation Secretary and Director Legal Services	Ms. Faith Kaluai
3.	Director Internal Audit and Governance	Mr. David Kagoithe
4.	Director of Corporate Services	Ms. Nancy Ndumia

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

	Designation	Name
5.	Director of Phytosanitary and Biosecurity	Dr. Isaac Macharia
6.	Director of Seed Certification & Plant Variety	Mr. Simon Maina
7.	Ag. Director Laboratory Services	Ms. Florence Munguti
8.	Ag. Director Planning and Strategy	Mr. Nicholas Tunya
9.	Deputy Director Finance & Accounts	Mr. Bartonjo Cheptarus
10.	Manager Supply Chain Management	Ms. Ireen Nyaga
11.	Ag. Deputy Director Kisumu Regional Office	Ms. Deborah Shituvi
12.	Ag. Deputy Director Mombasa Regional Office	Mr. Fredrick Koome
13.	Ag. Deputy Director Kitale Regional Office	Mr. Thomas Kosiom
14.	Deputy Director Nakuru Regional Office	Mr. Charles Owino
15.	Deputy Director Plant Inspection Unit, JKIA	Mr. Josiah Syanda
16.	Ag. Deputy Director Plant Quarantine Station, Muguga	Mr. George Ngundo
17.	Ag. Deputy Director Plant Inspection Unit, Naivasha	Ms. Pamela Kibwage
18.	Deputy Director Embu Regional Office	Mr. Geoffrey Malemba

(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
- Technical Committee
- Finance Committee
- Human Resource and Administration Committee
- Audit & Governance Committee

(f) KEPHIS Headquarters

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

(g) KEPHIS Contacts

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

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

(h) Corporation Bankers

1. Kenya Commercial Bank Ltd
P.O Box 7206 00100
Nairobi, KENYA
2. NCBA Bank
P. O Box 30437 00100
Nairobi, KENYA
3. National Bank of Kenya
P.O. Box 72866 00200
Nairobi, KENYA

(i) Independent Auditors

Office of the Auditor General,
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

3. THE BOARD OF DIRECTORS

Hon. Joseph M'eruaki M'uthari - Chairperson



Appointed: 30th June 2023

DOB: 30th June 1967

Hon. Joseph M'eruaki M'uthari is the Chairman of KEPHIS. He has Master's Degree in Development Studies from St. Paul's University, Limuru and a B.Sc. (Hons) in Forestry from Moi University.

In Year 2002, he was honoured as United Nations Person of the year in Kenya. Still, in 2002, he underwent a master class fellowship programme with CDRA South Africa, a highly specialized programme for senior social development practitioners working in various development endeavours. Hon. M'eruaki has the following certificates: Certificate in facilitating development – CDRA South Africa, Certificate in facilitating Organization Development – Tanzania, Certificate of Attendance in National Workshop on Fundraising and a Certificate in Training Participatory Rural Appraisal for Community-based Planning and Natural Resources Management. Hon. M'eruaki has gained exposure in Natural Resource Management concerns through training and participation from seminars and workshops in Kenya, Zimbabwe, Tanzania, Zanzibar, Uganda and South Africa.

He was the Member of Parliament of Igembe North Constituency in Meru County from March 2013 to August 2017, Caritas Meru Director/Diocesan Social Development Consultant from February 2006 to March 2013, Executive Director of Kamurugu Agricultural Development Initiatives (KADI) from July 1995 to February 2006 and Head of Indigenous Plants Resources Research and Development Department from March 1994 to 1996. He worked with the Association of Volunteers Service International (AVSI) from March to April 1993 and from January to April 1992. In 1990, he worked as a teacher at Mutuati Secondary School.

He is a former Chairman of Tana Water Works Development Agency.

He is fluent in English, Kiswahili and Italian

Prof. Albert Kimutai- Director



Appointed: 30th June 2023

DOB: 29th September 1974

Prof. Albert Kimutai is a holder of a Doctor of Philosophy degree in Science (Parasitology) from the University of Eldoret. In addition, he holds a Master of Science Degree (Immunology) from Kenyatta University and a Bachelor of Education (Science) degree from Egerton University. He has developed his career in teaching and management over the last 21 years with 8 years' experience as a graduate teacher and administrator and 12 years of university level teaching, research and administration in two chartered public universities in Kenya,

Masinde Muliro University of Science and Technology and the University of Kabianga.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Prof. Albert Kimutai is a seasoned researcher and consultant as well as lead trainer for various organizations including Uwezo Kenya, Twaweza East Africa, The Institute of Social Accountability (TISA), Lake Victoria North Water Services Board and CfBT Africa. Twice, he has won the best Facilitator for Uwezo East Africa Regional Research Training Facilitator of the Year 2012 and 2013. Between 2009 and 2013, he was among the lead consultants in a survey to assess learners on their numeracy and literacy competencies across East Africa region.

He is also the Africa Region consultant for Boehncke Business Information, a German organization that undertakes research on tropical diseases across Africa. A case in point is that in 2021, he was the Principal Researcher in a cross-sectional survey on the status of all health facilities in Central Equatoria region of South Sudan where he led the survey of over 500 health facilities. In addition to the above, he has served as the lead consultant for the development of strategic plans for secondary schools in Busia County (2012) and the country trainer for The Institute of Social Accountability.

Prof. Kimutai believes in community work and the promotion of human rights and social accountability. In 2012, he established Kerio Center for Community Development and Human Rights, a civil society organization that enhances and promotes good governance through public participation in the management of county affairs. Over the last six years, the International Budget Partnership, a US based organization, and other partners, has awarded his organization, Kerio Center for Community Development and Human Rights over 500,000 US dollars to undertake programs on strengthening and enhancing citizen participation and oversight role in the formulation and execution of county policies through budget analysis and advocacy in the counties of Uasin Gishu, Nandi, Elgeyo Marakwet, Trans Nzoia and Baringo.

Mr. Silas Killingo – Director



Re-appointed: 23rd May, 2025

DOB: 15th December 1961

Mr. Silas Killingo was appointed as a KEPHIS Non- Executive Director in May 2022 and has 36yrs experience in both public and Private sector.

He holds BA (Hons) from the University of Nairobi, Majoring in Psychology and Sociology. He is currently pursuing a Master's Degree in Criminology. He works for Kenya Airforce, Technical Department, and Specializing in Engineering control and

Instrumentation.

Hon. CPA Hussein Adan Haji – Director



Appointed: 12th January 2024

D.O.B: 20th July, 1989

Hon. CPA Hussein Adan Haji is a seasoned professional in both private and public institutional management and administration. He holds a Master of Business Administration with a Human Resource Management option and a Bachelor of Commerce from Mount Kenya University. Haji is dedicated to continuous growth and holds certifications such as Certified Public Accountant of Kenya (CPA-K). Haji's career includes serving as a Member of County Assembly for Takaba South ward and Chairperson of the Public Account and Investment Committee at Mandera County Assembly. Notably, he

has championed initiatives like the Gender bill and played a pivotal role in enhancing public investments. In his work history, Haji's contributions extend beyond the public sector. Serving as a Dealer Manager at Safaritel Limited, he achieved remarkable growth in company turnover and profitability. His earlier role as a Safaricom Agent showcased his entrepreneurial spirit in managing Mpesa services, significantly increasing business turnover and profitability. Haji's commitment to continuous learning is evident in his professional development, where he pursues certifications such as Senior Management Course, Strategic Leadership Development Program at Kenya School of Government, and ongoing studies in Certified Secretaries (CS). As a proud member of the Institute of Human Resource Management and the Institute of Certified Public Accountant, he actively contributes to professional communities. Beyond his professional endeavors, Haji enjoys a well-rounded lifestyle with interests in reading, traveling, and watching movies. This brief biography encapsulates his journey, emphasizing dedication to excellence and leadership.

Mr. Samuel Muriuki Manja – Director



Appointed: 27th October 2023

D.O.B: 31st October, 1977

Mr. Samuel Muriuki Manja is a director at Spenza Limited Company, a business conglomerate, of which he is among the largest individual shareholders in Mount Kenya Region. He has over 14 Years of experience in agricultural activities particularly in planting tomatoes and maize on large scales. Based on the available markets and the income generation trends, he has actively engaged in establishing Agro-vets to facilitate the general public in accessing farm inputs. Mr. Muriuki has been actively involved in youth, women and men mentorship programs. His passion and determination has led to creation of many job opportunities to many

young individuals.

Mr. Muriuki has received several Awards including but limited to the best Marketer and seller within the Mount. Kenya Region and on quality assurance in Spenza products in 2022. He has been rated top 3 in Mount. Kenya Region in Voluminous Productivity based on quality and access to market trends.

Ms. Jean Njiru- Director



Appointed: 15th November, 2024

D.O.B: 25th June 1961

Ms. Jean Njiru is a seasoned agriculture professional with over 30 years of diverse experience spanning the public sector, private industry, and non-governmental organizations. She holds a Master of Professional Studies from Cornell University (USA), a Master of Science in Plant Pathology, and a Bachelor of Science in Agriculture from the University of Nairobi. Throughout her distinguished career, Ms. Njiru has played key roles in managing agricultural value chains from multiple perspectives including research, production, post-harvest management, regulation, sales and marketing, and commercialization. Her expertise reflects a deep understanding of both the technical and strategic aspects of agricultural development. She previously served as Director at Vegemark Limited, where she led the development of a digital platform designed to improve farmers' access to agricultural products and services. In addition, she has held board-level leadership positions, including as Chairperson of the Agriculture Committee at the Agricultural Development Corporation and as a member of the Board of Directors at Farm Africa.

Ms. Roselyn Chepng'eno Lang'at -Director



**Appointed: 15th November, 2024
D.O.B: 18th March 1968**

Ms. Roselyn Chepng'eno Lang'at is an accomplished professional with extensive experience in administration, human resource management, and corporate affairs. She holds a Bachelor of Arts degree from Egerton University and has built a distinguished career through service in both public and private institutions. She began her career at the Kenya Posts and Telecommunications Corporation (KPTC), later transitioning to Telkom Kenya, where she served for 13 years and rose through the ranks in various administrative and corporate roles. Her career has consistently focused on leadership and coordination in human resource and organizational management. Ms. Chepng'eno has a strong background in governance and board leadership. She served as the Vice Chairperson of the Board at ActionAid International Kenya, where she also held the position of National Treasurer and chaired the Finance, Fundraising, Programs and Policy Committee. During her tenure, she was a member of the Governance and Board Development Committee and also served as a co-opted member of the Audit and Governance Committee. She recently completed a six-year term as the Chairperson of the Board of Management at Kericho Water and Sanitation Company (KEWASCO), where she provided strategic leadership and oversight. In addition, she served as a Board Member of the Tourism Regulatory Authority (TRA) for three years, where she chaired the Finance and Administration Committee and was also a member of the Licensing and Tourism Support Committee.

Ms. Sylvia Mulama Kamande-Director



**Appointed: 22nd November 2024
D.O.B: 1st June 1976**

Ms. Sylvia Mulama Kamande is a dynamic and results-driven professional with over a decade of international experience in business development, marketing, customer service, sales, and events management. Her career spans diverse sectors across the United Kingdom, Scandinavia, and Africa, with business engagements extending to Europe, Asia, and the United States. She holds a Master of Science in Business Administration and a Bachelor of Science in International Sales and Marketing, both from Linnaeus University in Sweden. Her academic background is complemented by a strong record of strategic leadership and execution in corporate growth and customer engagement. Ms. Kamande has a proven track record in developing and implementing successful business strategies, including during her tenure at Johnson Conveyor Systems AB, where her efforts directly contributed to growth in both customer base and revenue. She is also highly skilled in brand building and national-level strategy development, with a keen ability to translate customer needs into viable business opportunities. A creative and innovative team leader, Ms. Kamande is known for her strong interpersonal and networking skills, having worked

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

effectively with stakeholders from diverse cultural and professional backgrounds across Europe, Asia, Africa, and North America.

Mr. Julius Mutua – Alternate Director, Representative to the Cabinet Secretary, National Treasury and Planning



Appointed: 16th May, 2017

DOB: 1st January 1971

Mr. Julius Mutua 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 Coordinator for the Public Finance Management Reforms. He holds a Bachelor's Degree in Economics from Kenyatta University and a Master's Degree in Economics from the University of Dares Salaam.

He also holds certificates in Fiscal Decentralization and Financial Institutions for Private Enterprise development from Duke and Harvard Universities respectively.

Mr. James Wanjohi -Alternate Director, Representative to the Principal Secretary State Department of Crops Development



Appointed: 28th January, 2022

DOB: 14th September 1968

Mr. James Wanjohi has had a distinguished career spanning 25 years as an agricultural development, food security and extension specialist, with local, regional and international exposure. He is currently working, at policy level, at the Ministry of Agriculture, Livestock, Fisheries and Cooperatives.

He holds an MSc in Agricultural Extension and a BSc in Agriculture. He has also attended many trainings in the fields of agriculture and food security. He has corporate experience having been a board member of five other boards across the agriculture sector.

Mr. Moses Atuko - Director



Retired: 26th October, 2024

DOB: 24th December 1980

Mr. Moses Atuko is currently a consultant with United Nations. Previously, he worked as County Executive for Health Services and Environment-Mining-Energy, both for Baringo County Government; Country Director for MENTOR Initiative, Kenya; Regional Manager for Kenya Red Cross, North Rift; Deputy Country Director for MENTOR Initiative, Liberia; Emergency Health Manager for Kenya Red Cross, Nairobi; Project Officer with Aga Khan Foundation, Mombasa; and has been a Public Health Consultant for over 6 years. He is a graduate of Public

Health, Moi University, 2004.

Dr. Rose Njeru - Director



Retired: 26th October, 2024

DOB: 30th December 1961

Dr. Rose Njeru holds a Doctorate degree in Plant Sciences from Murdoch University, Australia and a Master's Degree in Plant Pathology from The University of Nairobi. Dr. Njeru has a wide experience in the field of plant health having served as a senior lecturer at the Faculty of Agriculture, University of Nairobi for over 15 years. She has also served as a Senior Scientist with the Ministry of Agriculture in Rwanda under a World Bank funded Rural Sector Support Program for a period of four years. During the subsequent four years, she was a director in charge of Capacity Building and Technology Deployment with an

international Non-Governmental Organization. Dr. Njeru has published widely in peer reviewed journals, participated in international conferences and supervised PhD Students in the field of agronomy, plant breeding, biotechnology, and plant health in general.

She has international experience as an; educator, trainer, researcher, in proposal development and capacity development with a focus on plant health, biotechnology, capacity building, documentation, communication, science, technology and innovation systems. Currently, Dr. Njeru is an independent international consultant in the field of plant health with an interest in plant health systems, compliance to international treaties especially the world Trade Organization Sanitary and Phytosanitary Agreement. She has been a consultant with several organizations including; Food and Agriculture Organization of the United Nations, International Fund for Agriculture Development, Technical Centre for Agricultural and Rural Cooperation, Regional Universities Forum for Capacity Building in Agriculture, a consortium of over 33 Universities in Africa, International Potato Centre and International Centre for Tropical Agriculture among others. She serves the KEPHIS Board, as the Chairperson of the Technical Committee.

Prof. Theophilus M. Mutui (Ph.D.) – Managing Director



Appointed: 11th December 2020

DOB: 21st May 1969

Prof. Theophilus M. Mutui, holds a PhD in Horticultural Sciences from Leibniz University of Hannover, Germany. He did his post-doctorate studies at the University of Georgia, Athens in the USA, and the United States Department of Agriculture (USDA) in Maryland under a fellowship from the International Atomic Energy Agency (IAEA). Prof. Mutui is the International Plant Protection Convention (IPPC) official contact point for the Republic of Kenya. He is also the Representative of Kenya to the Council of the

International Union for the Protection of New Varieties of Plants (UPOV) as well as in the Organization for Economic Co-operation and Development (OECD) Fruit and Vegetables Schemes and OECD Seed Schemes. He has over 30 years of experience, having previously worked at the National Biosafety Authority (NBA) as the Acting Director, Technical Services. At NBA, he was involved in establishing networks and partnerships with government entities, the private sector and development partners that were favorable to the Authority.

Prof. Mutui was previously the Country Coordinator for Better Training for Safer Food (BTSF) Programme for DG-SANCO for the European Union (EU) and a member of the National Food Safety Coordinating Committee. He has a wealth of experience in research, consultancy and teaching. He is a member in good standing of many local and International professional societies such as the International Society for Biosafety Research (ISBR), International Society of Horticultural Sciences (ISHS), Horticultural Association of Kenya (HAK) and a member of Kenya DAAD Scholars Association (KDSA). Prof. Mutui has widely published in international refereed journals and he is regularly invited as a guest speaker in international scientific conferences.

4. KEY MANAGEMENT TEAM

Prof. Theophilus M. Mutui (Ph.D.) – Managing Director

Profile on page xv above

Dr. Isaac Macharia – Director of Phytosanitary and Biosafety



Dr. Isaac Macharia, the Director, Phytosanitary Services and Biosafety 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.

Mr. Simon Mucheru Maina- Director of Seed Certification & Plant Variety Protection



Mr. Simon Mucheru holds a BSc and M.Phil. in Plant Genetics from Moi University. He has extensive experience in plant variety protection and seed quality assurance. He has undergone extensive training in plant variety protection, seed certification and seed policy in Japan, United States and The Netherlands. He has offered leadership as a seed system and plant variety protection expert in development of regional seed systems under COMESA, ARIPO and EAC. In particular, he chaired the ARIPO Technical Committee on Plant Variety Protection that oversaw the development and adoption of Regulations under the Arusha Protocol for the protection on new Varieties of Plants from 2015 to 2019. He also led the Kenyan team of experts that participated in the development of the draft East Africa Seeds and Plant Varieties Bill. He has spearheaded capacity building of local and regional seed inspectors.

Ms. Nancy Ndumia - Director of Corporate Services



Date of Appointment: 18th June 2024

Ms. Ndumia joined KEPHIS in June 2024 as the Director, Corporate Services. She is an accomplished management executive with over 15 years' experience and a proven track record of enhancing financial performance and operational efficiency in diverse business environments.

She holds a Master's in Business Administration from the University of Sunderland (UK) and a Bachelor's Degree in Commerce (Finance Option) from the University of Nairobi. She is also a Certified Public Accountant and is a member of the Institute of Certified Public Accountants, Kenya (ICPAK).

Ms. Faith Kaluai - Corporation Secretary & Director Legal Services



Date of Appointment: 01st July 2024

Ms. Faith Kaluai joined KEPHIS in July 2024 as Director Legal Services and Corporation Secretary. She has 14 years' experience having worked in the public sector with various state organs.

She holds an LLB from Moi University, a Master's degree from Kenyatta University, and a Higher Diploma in Human Resource Management. She has vast experience in Labour Law, Policy Development, Contract Management and Risk Management. She is an Advocate of the High Court of Kenya, Certified Public Secretary CPS (K), Certified Governance Auditor and a Certified Professional Mediator CPM (MTI).

CPA David Kagoithe – Director Internal Audit & Risk Assurance



Date of Appointment: 01st July 2024

CPA Kagoithe has over 20 years of experience, having previously worked as Head of Internal Audit function at Technical and Vocational Education and Training Authority and National Council for Persons with Disabilities. He holds an MBA (Finance) and a Bachelor's degree in Commerce (Accounting option), both from the University of Nairobi. He is a Certified Public Accountant (CPA) as well as a member of the Institute of Internal Auditors (IIA) Kenya and the Institute of Certified Public Accountants of Kenya (ICPAK). As the Director Internal Audit, he is responsible for operating an efficient and effective Internal Audit function and rendering

secretarial services to the Audit and Governance Committee of the Board.

Ms. Florence Munguti – Acting Director Laboratory Services



Date of appointment: 29th August 2024

Ms. Florence Munguti, the Acting Director Laboratory Services holds a Master of Science degree in Molecular Biology & Bioinformatics and is pursuing a PhD in Plant Pathology at the University of Nairobi. She joined KEPHIS in April 2011. Before her current position, Florence served as the Deputy Director, KEPHIS Plant Quarantine & Biosecurity Station, where she coordinated plant pest diagnostics, monitoring of quarantine pests in imports, pest surveillance and clean germplasm exchange. Further, she played a key role in achieving ISO/IEC 17025 accreditation of the plant quarantine and biosecurity laboratories at KEPHIS Muguga. The Laboratory has maintained the status of a regional reference laboratory for plant health in the Common Market for Eastern and Southern Africa (COMESA) under her leadership. With over 15 years of experience in plant health diagnostics and laboratory management, she plays a key role in ensuring the integrity, accuracy, and international accreditation of KEPHIS laboratory systems. She has received extensive professional training in phytosanitary diagnostics, laboratory quality assurance systems, both locally and internationally and has participated in numerous regional and international capacity-building programs. She is a beneficiary of the BecA-ILRI-African Biosciences Challenge Fund Fellowship, USDA-FAS Scientific Exchange Fellowship program and a fellowship program by RUFORUM through Mastercard Foundation. She is also trained ISO/IEC 17025 laboratory assessor.

Mr. Nicholas Tunya – Acting Director Planning and Strategy



Date of Appointment: 29th August 2024

Mr. Tunya joined the Kenya Plant Health Inspectorate Service (KEPHIS) in September 2008. He brings extensive experience in the agricultural sector, having served in diverse roles across both private and public organizations. He holds a Bachelor's degree in Agricultural Economics and has completed advanced training in Monitoring & Evaluation as well as Quality Management Systems. At KEPHIS, he spearheads strategic planning, performance contracting, Monitoring & Evaluation and the certification of Quality Management Systems.

Ms. Ireen Nyaga – Manager Supply Chain Management



Date of Appointment 18th June 2024

Ms Nyaga holds Msc (Procurement & Contracting) Certified Procurement & Supply Professional (CPSP K), BBM (Purchasing & Supplies management). She joined KEPHIS on 18th June 2024. Previously she worked for Directorate of Veterinary Services.

5. CHAIRMAN'S STATEMENT

I am honored to present the KEPHIS 2024/2025 Financial Statements Report. This is a testament to another year of strategic progress under our recently launched KEPHIS 2023-2027 Strategic Plan. The plan is fully aligned with the Vision 2030, the Fourth Medium-Term Plan and the Bottom-up Economic Transformation Agenda (BETA). KEPHIS continues to focus on delivering its mandate and has established strong systems and processes that assure high-quality agricultural inputs and produce in the sector. Furthermore, support of the greater agricultural and horticultural sub-sector has led to increased market access for Kenya's plants and plant products.

The performance of the horticultural sector during the period had mixed fortunes and presented a number of fresh challenges. According to Kenya's 2025 Economic Survey, total export volumes of cut flowers, fruits and fresh vegetables fell by 14.1 percent from 468.4 thousand tonnes in 2023 to 402.2 thousand tonnes while export earnings declined 12.8 percent to KSh 136.6 billion. Within this downturn, cut-flower revenues edged down 1.9 percent to KSh 72.1 billion amid stricter EU False Codling Moth regulations, and fresh-vegetable earnings plunged 54 percent to KSh 23.4 billion following MRL interceptions on beans and peas. Encouragingly, fresh fruit exports bucked the trend with a 26.5 percent increase to KSh 41.0 billion. This performance, underscores the resilience of Kenya's growers and the importance of our compliance and diagnostic services. KEPHIS takes a central role in ensuring measures are put in place to sustain Kenya's presence in these key markets.

Over the past year, KEPHIS surpassed almost every performance target across our six Key Result Areas (KRA's) of Plant Health, Seed Quality Assurance & Plant Variety Protection, Trade Facilitation Quality of Agro-Inputs and Produce; Institutional Capacity; and Climate Change Mitigation. In attaining these achievements, the Board provided steadfast oversight of both public and development partner funded resources, ensuring 100 percent absorption of both exchequer and externally mobilized funds. The highlight of the year was the exemplary revenue growth to KES 2.156 billion. As a Board we look forward to sustaining this trajectory in the forthcoming planning periods.

The Board also ensured proper mitigation against emerging risks and threats that faced the operations of KEPHIS. The issues of False Codling Moth (FCM), counterfeit seed and dynamic market requirements, were firmly managed by strengthening our early-warning systems, strengthening risk-management frameworks and deepening stakeholder partnerships. These will be enhanced in the coming year to ensure seamless service delivery to our clientele and sustained growth in the agricultural sector.

I wish to extend heartfelt gratitude to the Ministry of Agriculture and Livestock Development, our Board, staff, development partners and all stakeholders for their unwavering collaboration during the period under review. KEPHIS remains committed to our Motto, "Plant Health, Our Business" driving prosperity for our Kenyan farmers and the nation at large



HON. JOSEPH M'ERUAKI M'UTHARI
CHAIRPERSON, KEPHIS BOARD OF DIRECTORS

6. MANAGING DIRECTOR'S STATEMENT

It gives me great pleasure to present the KEPHIS Financial Statements Report for the period 2024/2025, a year marked by the launch of our new Strategic Plan (2023–2027). The Plan aligns with the Kenya government's economic blue print, the Vision 2030, the Fourth Medium-Term Plan (MTP) (2023–2027) and the Bottom-up Economic Transformation Agenda (BETA), ensuring that our initiatives in the agricultural sector directly support the nation's economic and social development agenda.

KEPHIS' role is to undertake regulatory function in the agricultural sector on matters regarding plant protection, seeds and plant varieties to assure quality of agricultural inputs and produce. The Corporation is established and operates as guided by the KEPHIS Act CAP 349. In the fulfilment of its mandate, KEPHIS implements the Seeds, and Plant Varieties Act CAP 326 and the Plant Protection Act CAP 324. In addition, KEPHIS is the designated National Plant Protection Organization (NPPO), the National Designated Authority (NDA) on Seed Quality and the National Plant Breeders Rights Office (NPBRO). Kenya is also a signatory to a number of international conventions, agreements and treaties which KEPHIS implements. These include; Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC), OECD Fruit and Vegetables Schemes, OECD Seed Schemes and OECD Forest Seed Scheme, the International Union for the Protection of New Varieties of Plant (UPOV), CODEX Alimentarius Commission, the World Trade Organization-Sanitary and Phytosanitary Agreement (WTO-SPS), the International Plant Protection Convention (IPPC) among others.

In the period under review, KEPHIS implemented a number of initiatives as per its Strategic Plan's six (6) Key Result Areas (KRA's). These included, Plant Health; Seed Quality Assurance & Plant Variety Protection; Trade Facilitation; Quality of Agro-Inputs and Produce; Institutional Capacity; and Climate Change Mitigation. Activity targets under these KRA's were not only met but in most cases exceeded set milestones thanks to the commitment of staff, management and support from stakeholders and development partners.

In Plant Health, KEPHIS completed 34 Pest Risk Analyses (PRAs), issued 92,166 Plant Import Permits (PIPs), undertook 29 pest surveillances, certified 219 nurseries and analyzed 13,418 diagnostic samples. This robust performance was supported by the enhanced pest early-warning systems (EWS), emergency response capacity to the introduction of plant pest and diseases and border-control measures put in place to safeguard Kenya's agriculture. KEPHIS shall continue to focus more on aspect of prevention of introduction of new pests and diseases into the country and enhanced management of pests of economic importance. The recent efforts in collaboration with other stakeholders to manage False Codling Moth (FCM) in roses is a case in point of such initiatives.

Seed quality remains a critical component in ensuring achievement of the BETA pillar on agricultural transformation. Under its KRA on Seed Quality Assurance and Plant Variety Protection, KEPHIS undertook inspection of 30,869.8 hectares of seed crop, testing of 6,137 seed samples, post-control testing 2,961 samples of marketed seed, licensing of 4,800 seed sellers and registration of 26 new seed merchants. In order superior crop varieties are accessed by farmers, KEPHIS tested 154 candidate varieties in the National Plant Trials (NPTs) programme. Subsequently, 60 new crop varieties were recommended, released and gazzeted. In protecting plant breeders' rights, KEPHIS granted 63 titles. In addition, during the year KEPHIS hosted the

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

inaugural Seed conference that attracted various stakeholders in the seed industry. The above-mentioned activities are a testament to Kenya's leadership in seed systems in the region.

In order to ensure market access, KEPHIS implemented its KRA on Trade Facilitation through maintaining and monitoring 40 pest-free production areas, completing and submitting 12 PRA information reports to potential trading partners, issuing 555,871 phytosanitary certificates to compliant fresh produce export consignments, conducting 1,551 farm audits for phytosanitary compliance and performing 2,084 export-compliance tests for fresh produce exports. These efforts ensured Kenya maintains its traditional fresh produce export markets and negotiation for additional new ones. KEPHIS will endeavor to strengthen its participation in trade facilitation fora to enhance market access for Kenyan farmers.

KEPHIS' commitment to quality agro-inputs and produce was evidenced by the analysis of 551 fertilizer samples in the Kenyan market for quality compliance. Other tests included seed, water for irrigation, soil and pesticide formulations. In addition, the Service undertook 3,428 contaminant tests on fresh produce destined for both domestic and export markets. These analytical tests were all carried out in our ISO/IEC 17025 accredited laboratories.

On Institutional Capacity, KEPHIS enhanced its infrastructural, staff and client capacity towards improved service delivery and compliance to regulatory requirements. During the period, the corporation launched the construction project of the Root Tubers & Bananas East African Germplasm Exchange Laboratory (RTB-EAGL) at KEPHIS PQBS, Muguga, initiated the construction project for KEPHIS Embu office complex, achieved significant automation levels through its ERP, IEICS and SCPVP systems, held 66 stakeholder engagement forums, sustained ISO 9001:2015 and ISO/IEC 27001:2022 certifications, trained 602 practitioners under COPE. In terms of financial sustainability, KEPHIS managed to absorb 100% of both government and externally mobilized funds. Increased its revenue to KES 2.156 billion against KES 1.904 billion target and ensured pending bills remained under 1%. This exemplary performance reflects sound financial management measures that have been put in place.

To combat the effects and impact of climate change especially on agricultural productivity, KEPHIS undertook the KRA on Climate Change Mitigation by testing and releasing 22 climate-smart varieties, produced and distributed 19,718 tree seedlings from its KEPHIS Headquarters, Embu, Nakuru and Kitale nurseries and inspected 74 sea-freight consignments of perishable produce as a contribution to reduction in carbon foot-print of Kenya's fresh produce exports. The corporation has also installed a solar energy power plant at the on-going construction of the RTB-EAGEL laboratory at KEPHIS PQBS, Muguga. This project will contribute the corporation's investment in renewable energy and eventually reduce its energy costs. Going forward, KEPHIS will continue to pursue projects that reinforce its role in building agricultural resilience amid the climate change crisis.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

KEPHIS remains steadfast in its vision of “Excellence in Plant Health and Quality Assurance in Agriculture.” I extend my heartfelt gratitude to the KEPHIS Board, management, staff and all our stakeholders whose dedication and collaboration resulted in these remarkable outcomes. Together, we will continue strengthening regulatory systems, deepening partnerships and innovating for Kenya’s food & nutrition security and economic prosperity.



PROF. THEOPHILUS M. MUTUI, PHD
MANAGING DIRECTOR

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2024-2025**

Kenya Plant Health Inspectorate Service (KEPHIS) had six (6) Key Result Areas and strategic objectives within the current Strategic Plan for the FY 2023- 2027. The Key Result Areas are as follows:

KRA 1: Plant Health

KRA 2: Seed Quality Assurance & Plant Variety Protection

KRA 3: Trade Facilitation

KRA 4: Quality Agro-inputs and Produce

KRA 5: Institutional Capacity

KRA 6: Climate Change Mitigation

KEPHIS developed its annual work plans based on the above KRAs. The corporation also developed its 2024/2025 Performance Contract based on the 21st Cycle Performance Contract guidelines. Monitoring and evaluation of performance by the Board and management was done on a quarterly basis. KEPHIS achieved a majority of the set performance targets set for the year as summarized below for select KPIs:

Table: Summary of 2024/2025 achievements

KRA	Strategic Objective	Key Performance Indicators	Activities	Target	Achievements
1. Plant Health	To mitigate against the risk of introduction and spread of plant pests	Number of PRA reports	Undertake Pest Risk Analysis (PRA) of plants, plant products and regulated articles to develop import conditions	22	34 PRA reports
		Number of consignments and Plant Import Permits	Inspection of import consignments at ports of entry	75,000	92,1666 Plant Import Permits (PIPs)
	To enhance early warning, emergency response and management of pest	Number of pest surveillances	Pest surveillances conducted using surveillance technologies and tools	12	29 surveillances
		Nurseries inspected and certified	Undertake nursery certification	210	219 Nursery certified
	To enhance plant health diagnostic services	Number of samples analysed	Undertake analysis at the plant health laboratories	9,000	13,418samples

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

2. Seed Quality Assurance & Plant Variety Protection	To facilitate access to high quality seeds	Hectares inspected	Undertake seed field inspections	20,000	30,869.8 ha		
		Number of seed samples taken and tested	Undertake seed sampling, testing	4,500	6,137 samples		
		Number of post control samples	Undertake pre and post control testing	2,960	2,961 samples		
		Number of seed sellers licensed	License seed sellers	5,000	4,800 seed sellers		
	To protect new varieties of plants	Number of new seed merchant	Register seed merchants	10	26 Seed Merchants		
		Number of Title grants	Administer Plant Breeders Rights	35	63 Grants		
		Number of candidates tested	Conduct national performance trials	120	154 candidates tested		
		Number of varieties gazetted	Facilitate release of new varieties including gazettelement	34	60 varieties released and gazetted		
		3. Trade facilitation	To enhance market access of agricultural products/ produce	Pest free areas/areas of low pest prevalence established and maintained	Facilitate establishment and maintain of pest free areas/areas of low pest prevalence and Pest free places of production	27	40 Pest free areas of production monitored and maintained
				PRA information reports sent to importing countries	Provide pest risk analysis information for market access	10	12 reports sent to importing countries
	To facilitate export and compliance of agricultural produce and products	Number of Phytosanitary certificates issued	Undertake grading and inspection of export produce	500,000	555,871 Phytosanitary Certificates		
		Number of audits/inspections	Field audits for compliance to Phytosanitary market requirements	1,192	1,551 audits		

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

		Number of Tests undertaken for compliance to export requirements	Undertake testing of samples for export compliance	1,000	2,084 samples
4.	To assure quality of agricultural inputs	Fertilizer samples collected and analysed	Surveillance for fertilizer quality	550	551 samples analysed
	To enhance compliance of agricultural produce with food safety standards	Number of samples analyzed for contaminants	Undertake analysis for contaminants	3,000	3,428 samples analysed
5.	To strengthen corporate governance	Number of monitoring reports	Undertake risk assessments	4	4 quarterly reports
Institutional Capacity	To strengthen brand and corporate image	Exhibitions, shows, trade fairs and forums organized	Engage stakeholders	30	66 engagement forums
	To attract and retain competent human capital	Number of trainings implemented	Percentage of staff trained and developed	100	85.74 percent training achieved
	To enhance service delivery	Maintenance and support of automated Core systems (ERP, IEICS, SCPVP)	Percentage Level of automation/ digitization (%)	100	100
		Re-certification to QMS ISO 9001:2015 and ISO/IEC27001:2022	Recertification reports and certificates	2	2
		Number of practitioners trained under COPE	Phytosanitary/seed and food safety trainings undertaken	570	602 practitioners
	To enhance infrastructural and asset base	Updated asset register	Update asset Register	Updated asset register	1 asset register updated

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

	To enhance financial sustainability	Percentage of utilisation of funds	Absorption of Allocated Funds (GoK)	100%	100%
		Revenue collected	A-in-A	1,614 M	2,006M
		Percentage utilisation of externally mobilized funds	Absorption of Externally Mobilized Funds	100%	100%
		Ratio of Pending Bills to total budget	Management of pending Bills	<1%	<1%
6.	To enhance mitigation against the risks and effects of climate change	Number of Climate-smart varieties tested and released	Evaluation and release of climate-smart varieties	2	22
Climate Change Mitigation		Number of tree seedlings produced and distributed	Support planting of trees to increase forest cover	10,000	19,718
		Number of Sea freight Consignments of fresh produce inspected	Supporting sea freight of perishable fresh produce	20	74

8. CORPORATE GOVERNANCE STATEMENT

a) Introduction

Kenya Plant Health Inspectorate Service (KEPHIS) is committed to maintaining the highest standards of Corporate Governance. This is considered as crucial to the overall outlook of the Service and in meeting the interests of the stakeholders in the Agriculture Sector. In furtherance of its mandate, the Board is guided by the following pillars of corporate governance, namely: accountability, transparency, fairness, integrity and ethical leadership.

b) Constitution and Appointment of the Board of Directors

Board members are appointed by the Cabinet Secretary for Agriculture and Livestock Development as provided for in the Kenya Plant Health Inspectorate Act. The Board has a total of 13 members as follows:

- i) The Chairperson;
- ii) Cabinet Secretary to the Treasury or a designated representative;
- iii) The Principal Secretary in the Ministry responsible for Agriculture or a designated representative;
- iv) Not more than seven other persons, not being employees of the Service, and of whom not more than three shall be appointed by the Cabinet Secretary; and
- v) The Managing Director, who shall be the Secretary.

c) Board Charter

The Board is guided by a Board Charter which documents the constitution, roles and responsibilities of the Board. The provisions of the Board Charter relate to:

1. The appointment of Board Members
2. The composition and the primary responsibilities of the Board
3. Practices of the Board including but not limited to the conducting of meetings
4. Relationship of the Board and Management
5. Conflict of Interest
6. Induction, performance and remuneration of the Board.

d) The Board members who served for the year ended 30th June 2025 were as follows:

S/N o.	Name	Role	Date of Appointment	Expiry of Term
1.	Hon. Joseph M'eruaki M'uthari	Chairman	30.06.2023	29.06.2026
2.	Mr. Julius Mutua	Alternate, Cabinet Secretary National treasury & Planning	16.05.2017	TBA

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

3.	Mr. James Wanjohi	Alternate, PS State Department for Agriculture	28.01.2022	TBA
4.	Mr. Moses Atuko	Independent Member	27.10.2021	26.10.2024
5.	Dr. Rose Njeru	Independent Member	27.10.2021	26.10.2024
6.	Prof. Albert Kimutai	Independent Member	30.06.2023	29.06.2026
7.	Mr. Silas Kilingo	Independent Member	13.05.2022	12.05.2025
8.	Mr. Samuel Manja	Independent Member	27.10.2023	26.10.2026
9.	CPA Hussein Haji	Independent Member	12.01.2024	11.01.2027
10.	Ms. Sylvia Mulama Kamande	Independent Member	22.11.2024	21.11.2027
11.	Ms. Roselyn Chepng'eno Lang'at	Independent Member	15.11.2024	14.11.2027
12.	Ms. Jean Njiru	Independent Member	15.11.2024	14.11.2027
13.	Prof. Theophilus M. Mutui	Managing Director, KEPHIS	11.12.2020	10.12.2026

e) Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Service. Its role is to guide the Corporation towards sustainable long-term success by offering policy direction. In carrying out this overall mandate, the Board is guided by impartiality.

f) Committees of the Board

In order to facilitate the smooth running of its affairs, Board members have established Committees with a membership and terms of reference as outlined in the Board Charter. The following Committees were in place in the Financial Year

1. Technical Committee;
2. Human Resource and Administration Committee;
3. Finance Committee; and
4. Audit and Governance Committee.

g) Conflict of Interest

The Board members are under a fiduciary duty to act honestly and in the best interest of the Service. Accordingly, Directors have been encouraged to recuse themselves from discussing or

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

voting on matters that a conflict of interest may exist. The Board maintains a Conflict-of-Interest Register.

In all the Board meetings held during the FY 2024/2025 Directors were required to declare any conflict of interest that they may have in the agenda items discussed. The same was recorded in the Conflict-of-Interest Register.

h) Board Evaluation

In pursuit of promoting Board effectiveness, Mwongozo, the Code of Governance for State Corporations requires that, on an annual basis, Board of Directors conduct self-evaluation of its performance and file a report thereof with the parent Ministry and the State Corporations Advisory Committee (SCAC).

During the financial year ended 30th June 2025, the Board conducted self-evaluation and attained an overall score of 94.20%.

i) Board and Committees Meeting Attendance 2024/2025

1. Full Board Meetings

S/NO.	NAME	ATTENDANCES
1.	Hon. Joseph M'Eruaki M'uthari	7/7
2.	Prof. Albert Kimutai	7/7
3.	Dr. Rose Njeru	1/7
4.	Mr. Moses Atuko	1/7
5.	Mr. Julius Mutua	6/7
6.	Mr. James Wanjohi	6/7
7.	Mr. Silas Kilingo	7/7
8.	CPA Hussein Haji	7/7
9.	Mr. Samuel Manja	4/7
10.	Mr. Chrisologous Makokha	7/7
11.	Ms. Sylvia Mulama Kamande	3/4
12.	Ms. Roselyn Chepng'eno Lang'at	4/4
13.	Ms. Jean Njiru	4/4
14.	Prof. Theophilus M. Mutui	7/7

Note:

During the Financial Year:

- a) Ms. Roselyn Chepng'eno Lang'at and Ms. Jean Njiru were appointed to the Board on 15th November 2024
- b) Ms. Sylvia Mulama Kamande was appointed on 22nd November, 2024; and
- c) Mr. Silas Kilingo's term ended on 12th May, 2025 and was thereafter renewed for another three (3) years with effect from 23rd June, 2025.

The following meetings were Special Board following the approval being sought from the Parent Ministry to conduct the same:

- a) Hosting the Cabinet Secretary for the Ministry of Agriculture on 27th February, 2025.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

2. Technical Committee

S/NO.	NAME	ATTENDANCE
1.	Dr. Rose Njeru	2/4
2.	Mr. Moses Atuko	2/4
3.	Prof. Albert Kimutai	4/4
4.	Mr. Julius Mutua	4/4
5.	Mr. James Wanjohi	4/4
6.	Ms. Roselyn Chepng'eno Lang'at	2/2
7.	Ms. Jean Njiru	2/2
8.	Ms. Sylvia Mulama Kamande	2/2
9.	Mr. Chrisologous Makokha	4/4

3. Finance Committee

S/NO.	NAME	ATTENDANCE
1.	CPA Hussein Haji	5/5
2.	Mr. Moses Atuko	3/3
3.	Mr. Julius Mutua	3/5
4.	Mr. James Wanjohi	5/5
5.	Mr. Silas Kilingo	5/5
6.	Ms. Roselyn Chepng'eno Lang'at	2/2
7.	Mr. Chrisologous Makokha	5/5

4. Human Resource and Administration Committee

S/NO.	NAME	ATTENDANCE
1.	Mr. Silas Kilingo	4/4
2.	Mr. James Wanjohi	4/4
3.	Mr. Julius Mutua	3/4
4.	Mr. Samuel Manja	4/4
5.	CPA Hussein Haji	4/4
6.	Ms. Jean Njiru	2/2
7.	Mr. Chrisologous Makokha	3/4

5. Audit and Governance Committee

S/NO.	NAME	ATTENDANCE
1.	Dr. Rose Njeru	3/3
2.	Prof. Albert Kimutai	4/5
2.	Mr. Julius Mutua	4/5

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

S/NO.	NAME	ATTENDANCE
3.	Mr. James Wanjohi	4/5
5.	Mr. Samuel Manja	1/5
6.	Ms. Sylvia Mulama Kamande	2/2
7.	Mr. Chrisologous Makokha	3/5

d) Board Induction and Continuous Skills Development

New Board members are taken through an effective induction programme to assist them in understanding their responsibilities, general principles of corporate governance and Board practices. Further, the Board is trained on relevant areas deemed necessary for execution of their duties. In the Financial year 2024/2025 a total of three (3) Board members were inducted.

e) Governance Audit

The Board recognizes the importance of a Governance Audit being carried out as highlighted under the Mwongozo Code of Governance and has therefore has initiated the process of Governance Audit to be finalized in the financial year 2025/2026.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance Overview

Revenue Trends

KEPHIS recorded a total revenue of KSh 2.156 billion in FY2024/25, marking a 30.6% increase from KSh 1.651 billion in FY2023/24. This growth was driven by:

- ✚ Implementation of gazetted fees for phytosanitary services
- ✚ Expansion of import and export trade

Revenue Source	2022/23 (KSh '000)	2023/24 (KSh '000)	2024/25 (KSh '000)	% Change
Phytosanitary Services	993,294	1,144,174	1,806,835	+57.9%
Seed Certification & PVP	315,815	317,406	286,155	-9.9%
Analytical Services	25,392	23,004	24,332	+5.8%
Public Contributions & Donations	73,170	33,166	31,615	-4.7%
Other Income	1,493	1,883	1,298	-31.0%
Finance Income	155	69	38	-44.9%

- ✚ Total revenue from exchange transactions rose by 43% to KSh 2.12 billion.

Expenditure Analysis

Total expenditure increased modestly by 4.8% to KSh 1.926 billion, reflecting prudent cost management amid inflationary pressures.

Expense Category	2022/23 (KSh '000)	2023/24 (KSh '000)	2024/25 (KSh '000)	% Change
Employee Costs	670,616	776,642	898,908	+15.8%
Board Expenses	31,701	36,866	34,984	-5.1%
Repairs & Maintenance	76,871	86,607	89,604	+3.4%
General Expenses	746,328	821,004	770,286	-6.1%
Depreciation	77,765	83,848	87,764	+4.7%

- ✚ Employee costs rose due to new hires and casual labour to support expanded operations.

Surplus Position

KEPHIS reversed its prior year deficit of KSh 189 million to a surplus of KSh 227.6 million in FY2024/25. KEPHIS intends to remit into Consolidated Fund ninety per centum of its surplus funds reported in the audited financial statements in accordance with Section 219 (2) of the Public Financial Management Act regulations on regulatory entities.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Financial Position

Assets and Liabilities

Category	2022/23 (KSh '000)	2023/24 (KSh '000)	2024/25 (KSh '000)	% Change
Total Assets	3,537,792	3,418,716	3,580,473	+4.6%
Current Assets	261,579	208,598	369,276	+77%
Current Liabilities	199,996	270,307	204,477	-24.4%
Net Assets	3,537,792	3,148,409	3,372,258	+7.1%

- ✚ The net asset position improved within the year due to increased generated revenue enabling addition of assets and reduction of liability by the end of the year.

Operational Highlights

Key Result Areas (KRAs) Performance

KEPHIS exceeded targets across all six KRAs.

KRA	Target	Achievement	% Achievement
Pest Risk Analyses	22	34	154.5%
Plant Import Permits	75,000	92,166	122.9%
Seed Field Inspections (Ha)	20,000	30,869.8	154.3%
Phytosanitary Certificates	500,000	555,871	111.2%
Climate-Smart Varieties Released	2	22	1100%
Tree Seedlings Distributed	10,000	19,718	197.2%

- ✚ Climate resilience and trade facilitation were standout areas of performance.

Strategic Outlook

KEPHIS will focus on:

- ❖ Expanding pest surveillance and early-warning systems
- ❖ Enhancing seed systems and plant variety protection
- ❖ Strengthening climate-smart agriculture
- ❖ Improving digital infrastructure and ERP integration
- ❖ Resolving land titling and encroachment issues

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i. Sustainability Strategy and Profile

KEPHIS operates within a dynamic global context marked by climate change, biodiversity loss, and shifting trade regulations. These macroeconomic and political trends have elevated sustainability as a core priority. The Service has aligned its operations with international frameworks such as the Sustainable Development Goals (SDGs), particularly SDG 2 (Zero Hunger), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).

KEPHIS's sustainability strategy is embedded in its 2023–2027 Strategic Plan, which emphasizes:

- ❖ Safe agricultural trade
- ❖ Food security
- ❖ Environmental stewardship

Key Achievements:

- ❖ Launch of the Integrated Export and Import Certification System (IEICS) to reduce paper use and enhance trade efficiency
- ❖ Expansion of climate-resilient seed certification programs, including training of private seed inspectors for potato certification
- ❖ Enhanced pest surveillance and diagnostics to mitigate climate-induced pest outbreaks
- ❖ Facilitation of climate smart varieties and agricultural practices

Challenges & Mitigation:

- ❖ Limited inspection access at the port of Mombasa due to policy constraints.
- ❖ Land recovery efforts ongoing in Kitale to reclaim encroached parcel.

Service Delivery Charter & Contracting Practices:

KEPHIS prioritizes inclusivity in procurement, with a growing proportion of contracts awarded to local suppliers, women, youth, and PWDs, in line with national affirmative action policies. The Service maintains transparency through open tendering and publishes procurement opportunities on its website.

ii. Environmental Performance

KEPHIS's environmental policy is guided by its mandate to protect plant health and biodiversity. Implementation is evidenced through:

- ❖ Automation of certification systems (IEICS and ePhyto) to reduce paper usage and physical interactions
- ❖ Waste segregation bins installed across regional offices
- ❖ Reduced use of plastic bottles in official functions
- ❖ Vehicle maintenance protocols to minimize CO₂ emissions
- ❖ Adoption of clean energy in new constructions such the Muguga Laboratory Complex currently under construction.

Shortcomings & Mitigation:

- ❖ Incomplete land titling for some parcels; mitigation includes collaboration with KALRO and Ministry of Lands
- ❖ Limited adoption of green building standards; future plans include solar integration at all offices and facilities.

Climate-Smart Initiatives:

- ❖ Promotion of drought-resistant crop varieties through certified seed programs
- ❖ Support for eco-friendly technologies and biosecurity stations
- ❖ Engagement in phytosanitary capacity evaluations to strengthen climate resilience

iii. Employee Welfare

KEPHIS maintains a comprehensive HR framework that ensures fair and transparent employment practices. Key policies guiding recruitment, hiring, and employee management include:

- ❖ Clearly defined procedures for advertising vacancies, shortlisting, interviewing, and selection to ensure merit-based appointments.
- ❖ Recruitment and workforce planning take gender balance and inclusivity into account, promoting equitable representation of women, youth, and persons with disabilities (PWDs).
- ❖ Employees are engaged during review and update of HR policies to ensure relevance and compliance.

Career Development:

- ❖ Continuous professional development through local and international training (e.g. Missouri exchange program on potato diagnostics)
- ❖ Clear appraisal and reward systems linked to performance

Occupational Safety:

- ❖ Compliance with the Occupational Safety and Health Act (OSHA), 2007
- ❖ No major work-related injuries reported in FY2024/25
- ❖ Safety audits conducted across laboratories and field stations

Employee Benefits:

- ❖ Health insurance, pension, paid leave, and travel.

iv. Marketplace Practices

a. Responsible Competition

KEPHIS upholds fair competition through:

- ❖ Open tendering
- ❖ Anti-corruption reporting mechanisms
- ❖ Service automation and self-service portals
- ❖ Public outreach and sensitization forums

b. Responsible Supply Chain

- ❖ Timely honouring of contracts
- ❖ Transparent payment practices

- ❖ Competitive procurement aligned with PPADA guidelines

c. Responsible Engagement

- ❖ Ethical marketing through factual communication
- ❖ Regular updates via newsletters, website briefs, and stakeholder forums
- ❖ Respect for consumer diversity and feedback mechanisms

d. Product Stewardship

- ❖ Protection of consumer health via maximum residue level (MRL) monitoring
- ❖ Data privacy protocols in digital certification systems
- ❖ Dispute resolution mechanisms for trade-related grievances

v. Corporate Social Responsibility / Community Engagements

KEPHIS's CSR activities are aligned with its core mandate of plant health and safe trade. Key initiatives include:

Community Engagements:

- ❖ Tree planting drives in collaboration with local communities
- ❖ Training of youth groups on avocado farming and pest management
- ❖ Support for energy-saving jikos and eco-friendly farming practices

In the 2024-2025 financial year, the KEPHIS Performance Contract 2024/2025 has the clause S/NO D1: Presidential Directives Matrix (National Tree Growing Restoration Campaign). KEPHIS adopted this initiative in order to: increase forest and tree cover from 12% to 30% by 2032, restore ecological integrity and functioning of ecosystems, strengthen communities' resilience to climate change, support sustainable supply of environmental products and services (water and biodiversity), establishment of nature-based enterprises in the rural areas, catalyse tree growing culture among Kenyans for livelihoods support and increase access to climate finance through carbon trading.

A total of 35,801 trees were planted by KEPHIS across the regional offices in the year. Here, KEPHIS collaborated with various stakeholders such as NEMA and the Kenya Forest Service to undertake the activities.

See below the various tree growing initiatives as well as the number of trees planted:

Regional office/County	No. of seedlings planted
Nakuru regional office	6,750
Kitale regional office	11,063
Embu regional office	13,418
Taita Taveta	3,000
Migori	600
Nyeri office	920
Meru	20
Nairobi	30
Total:	35,801



The First Lady of the Republic of Kenya H.E. Rachel Ruto waters a seedling she planted at the Isebania Comprehensive School on 7th March, 2025



KEPHIS & KFS officers ready to plant fruit tree seedlings at Isebania Comprehensive School on 7th March, 2025



A nursery at the Embu regional office

11. REPORT OF THE DIRECTORS

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

i) Principal activities

The principal activities of the Service 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

ii) Results

The results of the Entity for the year ended June 30, 2025, are set out on page 1 to 5.

iii) Directors

The members of the Board of Directors who served during the year are shown on page viii. During the year two directors, Dr. Rose Njeru and Mr. Moses Atuko retired while Mr. Silas Kilingo's term was renewed after serving for three years. Three directors joined within the year; Ms. Jean Njiru and Ms. Roselyn Chepng'eno Lang'at joined on 15th November, 2024 with Ms. Sylvia Mulama Kamande joining on 22nd November, 2024.

iv) Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Kephis recorded a surplus of Kshs. 227,586,378 and shall remit ninety percent of it amount Kshs. 204,827,740 into consolidated fund.

v) Auditors

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

By Order of the Board



.....
**PROF. THEOPHILUS M. MUTUI, PHD
SECRETARY TO THE BOARD**

12. 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 Service at the end of the financial year and the operating results of the Service for the period. The Directors are also required to ensure that the Service keeps proper accounting records which disclose with reasonable accuracy the financial position of the Service. The Directors are also responsible for safeguarding the assets of the Service.

The Directors are responsible for the preparation and presentation of the Service's financial statements, which give a true and fair view of the state of affairs of the Service for and as at the end of the financial year ended on June 30, 2025.

This responsibility includes:

- i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) safeguarding the assets of the Service;
- v) selecting and applying appropriate accounting policies; and
- vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Services' 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 Service's financial statements give a true and fair view of the state of the Service's transactions during the financial year ended June 30, 2025, and of the Service's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Service, which have been relied upon in the preparation of the Service'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 Service will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KEPHIS financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:



.....
HON. JOSEPH M'ERUAKI M'UTHARI
CHAIRMAN BOARD OF DIRECTORS



.....
PROF. THEOPHILUS M. MUTUI, PHD
MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICES FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Plant Health Inspectorate Services set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

Report of the Auditor-General on Kenya Plant Health Inspectorate Services for the year ended 30 June, 2025

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Plant Health Inspectorate Services as at 30 June, 2025 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 Service Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Variance between Revenue from Exchange Transactions and Amount Reflected in E-Citizen Platform

The statement of financial performance reflects rendering of services amount of Kshs.2,118,756,000 as disclosed in Note 8 to the financial statements. However, records from the E-Citizen platform indicate an amount of Kshs.1,802,924,937 out of which Kshs.1,777,351,772 was transferred back to the Inspectorate thus resulting to an amount of Kshs.25,573,165 not transferred from the National Treasury. This results in an unexplained and unreconciled variance of Kshs.315,831,063. Further, it could not be confirmed why the balance was not transferred during the financial year under review and when these funds would be made available to the Inspectorate.

In the circumstances, the completeness validity and accuracy of the rendering of services amount of Kshs.2,118,756,000 could not be confirmed.

2. Lack of Ownership of Land Documentation and Encroachment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,151,197,000 as disclosed in Note 26 and Note 27 to the financial statements which include eleven (11) parcels of land valued at Kshs.2,350,450,000. Included in the land balance are two (2) properties situated in Nakuru and Kitale valued at Kshs.1,241,250,000. However, the ownership documents were not provided for audit. In addition, the land in Kitale is encroached by private land developers and recovery of the encroached land within Kitale Municipality has not been successful and Inspectorate risks losing the land through encroachment.

In the circumstances, the ownership of the parcels of land valued at Kshs.1,241,250,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Plant Health Inspectorate Services Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance

with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect approved estimates and actual receipts of Kshs.2,049,940,000 and Kshs.2,225,504,000 respectively resulting to an over receipts of Kshs.253,740,000 or 9% of the budget. Similarly, the Inspectorate spent a total of Kshs.2,001,343,000 against actual receipts of Kshs.2,225,504,000 resulting to an under-utilization of Kshs.224,161.000 or 11% of the actual receipts.

The underutilization affected the planned activities and programmes, which may have impacted negatively on effective service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the previous year's audit report, several issues were raised under the report on financial statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. However, management did not submit a report demonstrating how the recommendations and findings of the prior year's audit were addressed, nor did they provide evidence supporting the resolution of the issues indicated as resolved. For the unresolved matters, management also failed to provide explanations for not implementing the recommendations. The issues raised in the 2023/2024 audit report are listed below:

- (i) Inconsistencies in Property Plant and Equipment
- (ii) Variance between revenue from exchange transactions and amounts reflected in E-citizen platform
- (iii) Negative working capital
- (iv) Long outstanding receivables from exchange transactions
- (v) Failure to align notes to the financial statements
- (vi) Officers in acting position beyond the stipulated time period
- (vii) Audit of climate regulations

- (viii) Non-compliance with rights and privileges of Persons with Disabilities (PWD)
- (ix) Long outstanding trade and other payables
- (x) Failure by the board of directors to approve the budget within the required timelines
- (xi) Absence of Management Budget Committee

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Law on Fiscal Responsibility Principal Wage Bill

The statement of comparison of budget and actual amounts reflects the total expenditure on employees of Kshs.898,908,000 against a total actual revenue of Kshs.2,225,504,000 representing forty percent (40%), while the total of capital and development expenditure are Kshs.88,920,000, representing only four percent (4%) of the actual revenue. This is contrary to Regulation 26 of Public Finance Management

Regulations, 2015 which requires that national government's expenditure on compensation of employees (including benefits and allowances) shall not exceed 35% of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the national government and that the national government expenditure on development shall be at least thirty percent in line with the requirement under Section 15(2)(a) of the Act.

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

2. Long outstanding Receivables from Exchange Transaction

The statement of financial position and Note 21 to the financial statements reflect receivables from exchange transactions balance of Kshs.61,074,000, comprising gross receivables of Kshs.88,352,000 and a provision for doubtful debts of Kshs.27,278,000. Review of the ageing analysis of service debtors indicated that Kshs.22,326,218 has been outstanding for more than three (3) years.

In the circumstances, the recoverability of the long outstanding receivables of Kshs.22,326,218 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing 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 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and

governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi


17 December, 2025


**14. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2025**

	Notes	2024-2025 KShs '000'	2023-2024 Kshs '000'
Revenue from non-exchange transactions			
Public contributions and donations	6	31,615	33,166
Transfers from other governments– gifts and services	7	-	127,000
		31,615	160,166
Revenue from exchange transactions			
Rendering of Services	8	2,118,756	1,485,417
Hire of Facilities	9	3,881	3,417
Finance Income- External Investments	10	38	69
Other Income	11	1,298	1,883
		2,123,973	1,490,786
Total revenue		2,155,588	1,650,953
Expenses			
Employee Costs	12	898,908	776,642
Board Expenses	13	34,984	36,866
Depreciation and Amortization	14	87,764	83,848
Repairs and Maintenance	15	89,604	86,607
Grants and Subsidies	16	44,951	39,420
General Expenses	17	770,286	821,004
Total expenses		1,926,498	1,844,388
Other gains/(losses)			
Gain on Sale of Assets	18	(78)	(994)
Gain on Foreign Exchange Transactions	19	96	84
Increase/Decrease in Provision	30	(1,522)	4,959
Total Other Gains/(Losses)		(1,504)	4,049
Surplus/Deficit for the Period		227,586	(189,386)

The notes set out on pages 8 to 36 form an integral part of these Financial Statements. The financial statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:


.....
Prof. Theophilus M. Mutui,
PHD
Managing Director


.....
CPA Nancy Ndumia
Director Corp. Services
ICPAK M/No:10540


.....
Hon. Joseph M'eruaki M'uthari
Chairman of the Board

Date 4/12/2025

Date 04/12/2025

Date 4/12/2025

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**


**15. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025**

	Notes	2024-2025 KShs '000'	2023-2024 KShs '000'
Assets			
Current assets			
Cash and Cash Equivalents	20	224,161	31,612
Receivables from Exchange Transactions	21/22	61,074	97,781
Receivables from Non-Exchange Transactions	23	2,378	2,379
Inventories	24	62,908	41,795
Prepayments	25	18,755	35,031
		369,276	208,598
Non-current assets			
Property, Plant & Equipment	26/27	3,151,197	3,150,118
Staff Mortgage Scheme	28	60,000	60,000
Long Term Receivables		-	-
		3,211,197	3,210,118
Total assets A		3,580,473	3,418,716
Liabilities			
Current liabilities			
Trade and other Payables from Exchange Transactions	29	160,099	228,478
Provisions	30	22,057	8,559
Deferred Income	31	14,655	24,291
Payments Received in Advance	32	7,666	8,979
Total Liabilities B		204,477	270,307
Net Assets A-B		3,375,996	3,148,409
Represented by:			
Reserves		2,640,353	2,640,352
Accumulated Surplus		735,643	508,057
Net Assets		3,375,996	3,148,409


The Financial Statements set out on pages 1 to 42 were signed on behalf of the Board of Directors by:


.....
Prof. Theophilus M. Mutui, PHD
Managing Director

Date 4/12/2025


.....
CPA Nancy Ndumia
Director Corp. Services
ICPAK M/No:10540

Date 04/12/2025


.....
Hon. Joseph M'eruaki M'uthari
Chairman of the Board

Date 4/12/2025


**16. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2025**

	Revaluation reserve	Retained earnings	Total
	Kshs '000'	Kshs '000'	Kshs '000'
At July 1, 2024	2,640,353	697,442	3,337,795
Surplus/Deficit for the period		(189,386)	(189,386)
At June 30, 2024	2,640,353	508,057	3,148,410
Balance as at June 30, 2024	2,640,353	508,057	3,148,410
Surplus/Deficit for the period		227,586	227,586
Balance as at June 30, 2025	2,640,353	735,643	3,375,996


**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

**17. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2025**


	Notes	2024-2025 Kshs '000'	2023-2024 Kshs '000'
Cash flows from operating activities			
Receipts			
Public contributions and donations	6	35,953	33,166
Transfers from other governments—gifts and services-in-kind		-	127,000
Rendering of services	33b	2,154,150	1,556,255
Hire of Facilities	9	3,881	3,417
Finance income-external investments	10	38	69
Other income		(128)	1,967
		2,193,894	1,721,875
Payments			
Employee costs	12	898,908	776,642
Board Expenses	13	34,984	36,866
Repairs and maintenance	15	89,603	86,607
Grants and subsidies	16	49,289	39,664
General expenses	33c	839,639	756,860
		1,912,424	1,696,639
		281,470	25,236
Net cash flows from operating activities			
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	26	(88,920)	(20,257)
Proceeds from sale of property, plant and Equipment	26	-	1,510
		(88,921)	(18,747)
Net cash flows used in investing activities			
Cash flows from financing activities			
Increase in deposits		-	(2,000)
		-	(2,000)
Net cash flows used in financing activities			
		192,549	4,489
Net increase/(decrease) in cash and cash equivalents			
		31,612	27,123
Cash and cash equivalents at 30 June 2024			
		224,161	31,612
Cash and cash equivalents at 30 June 2025			


.....
Prof. Theophilus M. Mutui, PHD
Managing Director

Date 4/12/2025


.....
CPA Nancy Ndumia
Director Corp. Services
ICPAK M/No:10540

Date 04/12/2025


.....
Hon. Joseph M'ruaki M'uthari
Chairman of the Board

Date 4/12/2025

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30TH JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference		Explanation of material variances
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	%	
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'		
Budget Carryovers		31,612	31,612	31,612	-	100%	
Revenue							
Public contributions and donations	30,000	-	30,000	35,953	5,953	120%	a
Transfers from other governments- gifts and services-in-kind	-	-	-	-			
Rendering of services	1,869,771	113,557	1,983,328	2,154,150	170,822	109%	b
Other income	5,000	-	5,000	3,789	-1,211	76%	c
Total income	1,904,771	145,169	2,049,940	2,225,504	253,740	109%	
Expenses							
Employee costs	896,954	3,000	899,954	898,908	1,046	100%	
Board Expenses	30,000	-	30,000	34,984	(4,984)	117%	d
Capital expenditure	88,000	-	88,000	72,847	15,153	83%	e
Repairs and maintenance	82,000	8,000	90,000	89,603	397	100%	f
Grants and subsidies	27,000	23,000	50,000	49,289	711	99%	
General expenses	745,817	111,169	856,986	839,639	17,347	98%	
Total expenditure	1,869,771	145,169	2,014,940	1,985,270	29,670	99%	g
Development expenditure	35,000	-	35,000	16,073	18,927	46%	h
Total	1,904,771	145,169	2,049,940	2,001,343	48,597	98%	
Surplus				224,161			i

Explanation of material variance in statement of variance and actual comparison.

a. Public Contributions & Donations

The actual contributions exceeded the budgeted amount by 20%, primarily due to the successful hosting of an international seed conference. This event attracted significant donor interest and support, enhancing the organization's visibility and stakeholder engagement.

b. Revenue from Services Rendered

Income from service provision surpassed projections by 9%, following a strategic revision of fees for phytosanitary services. The adjustment aligned charges with gazetted rates, thereby improving revenue collection and reflecting the true value of services offered.

c. Other Income

This category includes proceeds from the sale of maize and other farm produce, as well as rental income from staff housing. The decrease reflects reduced sale of farm produce.

d. Board Expenses

Board-related costs were 17% above budget, driven by an increase in governance activities. These included strategic meetings, stakeholder consultations, and oversight missions aimed at strengthening institutional performance and alignment with the organization's mandate.

e. Capital expenditure

Capital expenditure acquired from budgeted depreciation was slightly below the budget due to support on procurement of motor vehicles by the Horticulture compliance project. These investments were necessary to support expanded service delivery and operational efficiency.

f. Repairs & Maintenance

Expenditure on repairs was at 100% due to the aging fleet of vehicles and deteriorating infrastructure. Increased maintenance was essential to ensure uninterrupted service delivery and safeguard institutional assets.

g. Capital Budget Utilization

Only 78% of the capital budget was utilized as implementation was dependent on the availability of Appropriations-in-Aid (A-in-A).

h. Budget Surplus

The organization recorded a surplus for the first time after several years of deficits. This positive outcome is attributed to revised service charges, improved revenue collection, and stringent cost management practices implemented during the year.

The surplus is different from reported statement of performance profit as budget surplus is cash based.

Budget Reconciliation

	Description of Particulars	Amount in Kshs '000'
	Actual Surplus Amounts as per the statement of Budget	224,161
	Closing Cash and Cash Equivalent as per the statement of Cash flows	224,161

19. NOTES TO THE FINANCIAL STATEMENTS

1. General information

Kenya Plant Health Inspectorate Service (KEPHIS) is a regulatory body established by the KEPHIS Act No.54 of 2012. The role of KEPHIS is to undertake regulatory function in the agricultural sector on matters regarding plant protection, seeds and plant varieties to assure quality of agricultural inputs and produce. KEPHIS is the designated National Plant Protection Organization, the National Designated Authority on Seed Quality and the National Plant Breeders Rights Office.

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 Service's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Service, 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

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

Standard	Effective date and impact:
IPSAS 43: Leases	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. KEPHIS has leased land</p>

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Standard	Effective date and impact:
	from Kenya Aviation Authority on which it has constructed an office at JKIA. The standard will be applicable in reporting for the lease.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. Obsolete items held by the organization at the end of financial year will be reported as per the standard awaiting disposal.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. This standard will be applicable to KEPHIS due to current working relationship with donors and the national government on collaboration and funding.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Standard	Effective date and impact:
	The standard also introduces a public sector specific measurement bases called the current operational value. The standard will guide KEPHIS on value recognition on cost of assets and liabilities.
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. KEPHIS revenue reporting will be affected by this standard
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.

iii. Early adoption of standards

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

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

The Service 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 Service 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 Service'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

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

statement of financial performance has been presented under section five of these financial statements.

c) Taxes

Government grant is not subject to tax. The Service 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. In the financial year 2022, the organisation valued its assets and adopted the asset and Liability policy. Depreciation rate of assets has been adjusted in the financial year to be in tandem with the policy;

The Service now applies the following rates of depreciation:

• Freehold land – nil	No Change
• Buildings 2%	No Change
• Plant and Machinery 12.5%	No Change
• Motor Vehicles 16.67% & 10% for vehicles over 4500cc	No Change
• Office Equipment 12.5%	No Change
• Furniture and fixtures 12.5%	No Change
• Laboratory Equipment 12.5%	No Change
• Computers & Accessories 30%	No Change

The residual values were retained as follows:

- 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 Service. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

The technical feasibility of completing the asset so that the asset will be available for use or sale

Its intention to complete and its ability to use or sell the asset

How the asset will generate future economic benefits or service potential

The availability of resources to complete the asset

The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) 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 Service determines the classification of its financial assets at initial recognition.

Loans and receivables

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

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 Service 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 considering 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 Service assesses at each reporting date whether there is objective evidence that a financial asset or a financial asset is impaired. A financial asset 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 that can be reliably estimated. Evidence of impairment may include the following indicators:

- The 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)

i) Financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

j) Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective

interest method amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

k) 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 labour 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 Service.

l) Provisions

Provisions are recognized when the Service 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 Service 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 Service 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 Service 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

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

more uncertain future events not wholly within the control of the Service 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.

m) Nature and purpose of reserves

The Service creates and maintains reserves in terms of specific requirements. The Service maintains two reserves namely, retained earnings reserve and revaluation reserve. The revaluation reserve of Kshs. 2,640,352.00 reflected in the financial statements arose out of revaluation of Service assets while the retained earnings reserve has a balance of Kshs. 735,643.00 arising out of accumulated surplus since inception.

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

The Service provides defined contribution plan under which it pays fixed contributions into a separate 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 as employee emoluments in the year in which they become payable.

p) 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 2025 was Kshs. 129. 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.

q) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

The Service 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.

s) Service concession arrangements

The Service analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, KEPHIS recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

t) 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.

u) Comparative figures

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

v) 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, 2025.

5. Significant judgments and Sources of estimation uncertainty

The preparation of the Service'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.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

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 Service 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 Service. 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% and 100% for all debts over three years.

6. Public Contributions and Donations

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Project grant COPE	24,790	18,600
COMESA/RIIP	4,000	6,000
CIP Ralstonia	2	-
ASSIP	-	16
CIMMYT	-	2,260
CABI Papaya Mealy Bug	-	12,779
Quarantine Pest of Potato (FAO)	5,010	-
ICIPE -Accelerate one Health	341	-
IIATA Banana Bunch	1,810	-
Total Transfers and sponsorship	35,953	39,655
Reconciliation of public contribution and donations		
Balance unspent at the beginning of the year	24,291	17,803
Current year receipts	35,953	39,655

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Condition met-transferred to revenue	(31,615)	(33,166)
Conditions met now realised/Recognised	(13,974)	-
Condition to be met -remain liabilities (Deferred Income)	14,655	24,291

These funds are received from various development partners and stakeholders.

7. Transfers from other governments

a) Grants

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Unconditional grants		
Operational grant	-	122,000
		122,000
Conditional grants		
Development Grant	-	5,000
Total government grants and subsidies	-	127,000

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial Performance	Amount deferred under deferred income	Amount recognized in capital fund.	Total transfers 2024-25	2023-2024
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
Ministry of Agriculture - Recurrent	-	-	-	-	122,000
Ministry of Agriculture - Development	-	-	-	-	5,000
Total		-	-	-	127,000

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

8. Rendering of Services

Description	2024-2025	2023-2024
	KShs '000'	KShs '000'
Total Phytosanitary Revenue	1,806,835	1,144,174
Total Seed Certification Revenue	226,725	260,382
Plant Variety	59,430	57,024
Analytical Services	24,332	23,004
Other	1,434	835
Total revenue from the rendering of services	2,118,756	1,485,417

9. Hire of Facilities

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Conference and Accommodation	3,881	3,417
Total rentals	3,881	3,417

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

10. Finance Income

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Interest from Mortgage Deposit and other deposits	38	69
Total finance income – external investments	38	69
Interest Received	-	-
Interest Receivable	38	69
Total Interest receivable	38	69

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

11. Other Income

Description	2024 - 2025	2023 - 2024
	Kshs '000'	Kshs '000'
Miscellaneous Receipts	1,298	1,883
Total other income	1,298	1,883

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Incomes received from rented staff houses in Headquarters, Nakuru and Kitale and income from Safaricom Masts

12. Employee Costs

Description	2024 - 2025	2023 - 2024
	Kshs '000'	Kshs '000'
Basic Salary	390,319	340,519
Casual Labour	106,281	93,506
Gratuity and Pension	82,596	61,363
House Allowance	130,502	116,996
Transfer Allowance	1,191	1,614
Other Personal Allowances	74,560	65,811
Overtime Allowance	2,421	1,638
Passage & Leave Expenditure	8,165	9,470
Medical Expenses	91,277	74,622
Staff life and Accident Cover	9,618	7,466
Compensation & Ex-Grata	1,978	3,636
Total employee cost	898,908	776,642

13. Remuneration of Directors

Description	2024 - 2025	2023 - 2024
	Kshs '000'	Kshs '000'
Medical Expenses	724	820
Board Committees and Seminars	33,216	35,002
Chairman's Honoraria	1,044	1,044
Total director emoluments	34,984	36,866

14. Depreciation and Amortization Expense

Description	2024 - 2025	2023 - 2024
	Kshs '000'	Kshs '000'
Property, Plant and Equipment	87,764	83,848
Total depreciation and amortization	87,764	83,848

15. Repairs and Maintenance

Description	2024 - 2025	2023 - 2024
	Kshs '000'	Kshs '000'

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Maintenance of Motor Vehicle	41,190	48,448
Maintenance of Plant Machinery & Equipment	22,718	18,625
Maintenance of Buildings and stations	25,695	19,533
Total Repairs & Maintenance	89,603	86,607

16. Grants and Subsidies

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Project grant COPE	26,352	23,237
Quarantine Pest of Potato (FAO)	419	-
COMESA/RIIP	3,249	3,721
Icipe -Accelerate one Health	281	-
IIATA Banana Bunch	1,315	-
CIMMYT	-	217
CABI	-	5,062
Total Transfers and sponsorship	31,615	32,236
Horticulture Produce Project	13,336	7,184
TOTAL	44,951	39,420

17. General Expenses

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Electricity	21,896	26,055
Water & Conservancy	1,350	949
Telephone	4,187	8,938
Postal & Courier	4,013	3,639
Internet Services	17,853	16,461
Local travel & Accommodation	272,471	303,446
External Travel	24,329	16,286
Publishing & printing	70,521	83,594
Advertising & publicity	8,616	6,330
Trade shows & Exhibitions	15,418	17,345
Rents & Rates	15,218	13,284
Hire of transport	4,075	3,939
Training (stakeholders)	13,719	10,290
Catering services	18,384	13,860
Insurance premiums - vehicles & other assets	4,659	5,612
Laboratory stores	40,444	35,613
Education & library	1,479	1,109
Uniform & clothing	5,436	5,423

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Purchases of NPT DUS PC and farm inputs	10,895	9,459
General office supplies and Stationery	7,856	18,183
Supply and accessories for computers and Printers	31,729	47,070
Fuel & lubricants	52,050	62,617
Bank Charges	3,075	2,693
Guards & cleaning services	33,831	35,858
Contracted professional services	12,184	10,014
Others - Miscellaneous	99	244
Contribution to private and international organisations	5,364	4,033
Farmers demos & field day food & ration	48,402	44,718
Audit fees	4,805	1,922
Corporate social responsibility	150	181
Staff Training	15,777	11,841
Total General Expenditure	770,286	821,004

18. Gain on sale of Assets

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Motor Vehicles	-	(994)
Office Equipment	-	-
Furniture & Fitting	-	-
Computers & Accessories	(78)	-
Total gain	(78)	(994)

19. Gain on foreign exchange

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Realised Exchange Gain/loss	96	84

20. Detailed Analysis of the Cash and Cash Equivalents

Institution	Description	Account Number	2024-2025	2023-2024
			Kshs '000'	Kshs '000'
Current accounts				
CBA	KEPHIS USAID	6523810022	67	76
KCB	KEPHIS	1108285430	147,068	20,079

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Institution	Description	Account Number	2024-2025	2023-2024
			Kshs '000'	Kshs '000'
KCB	KEPHIS	1108285678	43,232	865
KCB	KEPHIS(Dollar)	1104843269	20,259	313
KCB	Kephis-Assip	1138298948	-	289
KCB	Kephis-Cope	1130043959	5,821	7,384
KCB	Kephis sinking Fund	1128368366	130	130
KCB	Kephis EAAPP Project	1121039685	-	259
NBK	Kephis	1001017146200	-	9
NIC	EU Smap	1001569364	6	6
CBA	Kephis JKIA	6523810017	3,011	1,177
KCB	Kephis Kisumu	1104038307	7	2
KCB	Kephis Kitale	1108814093	3,614	249
KCB	Kephis Mombasa Office	1101574712	93	136
KCB	Kephis Naivasha	1121954359	28	85
KCB	Kephis Nakuru	1101844876	2	539
KCB	Kephis Plant Quarantine	1107093724	35	7
KCB	JKIA		469	8
KCB	Kephis Embu	1102966649	318	1
Total cash and cash equivalents			224,161	31,612

✚ Within the year, the following accounts were closed; KCB 1138298948, 1121039685 and NBK 1001017146200

✚ The dollar account 1104843269 had a closing balance of USD 156,758.6 converted to Kenya shillings at the rate of 129.23

21. Receivables from Exchange Transactions

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Current receivables		
Service debtors	88,352	123,537
Less: impairment allowance	(27,278)	(25,756)
Total current receivables	61,074	97,781

22. Impairment Allowance computation

	0-1yr Kshs '000'	1 -3yrs Kshs '000'	Over 3yrs Kshs '000'	TOTAL Kshs '000'
Total Debtors	30,886	35,138	22,326	88,350
Provision Rate	7.5%	7.5%	100%	
Provision	2,315	2,635	22,326	27,276

23. Receivables from Non-Exchange Transactions

Description	2024 -2025	2023 -2024
	Kshs '000'	Kshs '000'
Current receivables		
Staff advances	-	14
Interest receivable	2,243	2,206
Medical Advance	135	159
MOA-June Recurrent Grant receivable	-	-
Total current receivables	2,379	2,379

24. Inventories

Description	2024 -2025	2023 -2024
	Kshs '000'	Kshs '000'
Inventories	62,908	41,795

25. Prepayments

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Prepayment Supplies	-	13,693
Deposit Supplies	11,582	11,582
Travel Imprest	7,173	9,755
Total Prepayments	18,755	35,031

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

26. Property, Plant and Equipment

Cost	Land	Buildings	Plant & Machinery	Motor vehicles	Computers	Office Equipment	Furniture and fittings	Lab Equipment	Work in progress	Total
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
As At 1 July 2023	2,350,450	426,900	22,523	162,841	52,982	14,215	1,792	234,704	17,502	3,283,909
Additions	-	-	497	-	10,573	3,899	1,713	3,574	-	20,256
Disposals	-	-	-	(2,946)	-	-	-	-	-	(2,946)
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 2024	2,350,450	426,900	23,020	159,896	63,556	18,114	13,575	238,277	17,502	3,311,290
Additions	-	-	14,576	38,036	16,812	1,664	5,049	12,783	-	88,920
Disposals	-	-	-	-	(537)	-	-	-	-	(537)
Transfer/Adjustments	-	-	-	-	-	-	-	-	-	-
As at 30th June 25	2,350,450	426,900	37,596	197,932	79,831	19,778	18,624	251,060	17,502	3,399,673
Depreciation And Impairment										-
At 1 July 2023	-	8,538	3,147	24,230	12,368	1,205	1,301	26,977	-	77,766
Depreciation 23/24	-	8,538	2,580	23,788	17,349	1,817	1,593	28,184	-	83,849
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
Accum Dep 30th June 2024	-	17,076	5,727	47,575	29,716	3,022	2,894	55,161	-	161,171
Current year Depreciation 24/25	-									-
Disposals	-	-	-	-	(459)	-	-	-	-	(459)
Impairment	-	8,538	3,028	24,198	19,076	2,189	1,791	28,944	-	87,764
Transfer/Adjustment	-	-	-	-	-	-	-	-	-	-
Accum. Dep 30th June 2025	-	25,614	8,755	71,773	48,333	5,211	4,685	84,105	-	248,476
Net Book Values										-
As at 30th June 24	2,350,450	409,824	17,293	112,321	33,839	15,092	10,681	183,117	17,502	3,150,119
As at 30th June 25	2,350,450	401,286	28,841	126,159	31,498	14,567	13,939	166,955	17,502	3,151,197

27. Work in Progress

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Cost		
At beginning of the year	17,502	17,502
Additions	-	-
At end of the year	17,502	17,502

This is for a Seed system and IEICS system supported by Trade- Mark East Africa which is yet to be commissioned.

28. Staff Mortgage Scheme

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
At beginning of the year	60,000	60,000
Additions	-	-
Depreciation	-	-
At end of the year	60,000	60,000

The Staff Mortgage Scheme is a deposit at Kenya Commercial Bank of Kshs 60 million to finance staff mortgage that was established in 2009.

Financial Performance for Staff Mortgage Scheme	2024-2025
	Kshs '000'
Interest Receipts	38,309
Surplus	38,309

Financial Position for Investment	2024-2025
	Kshs '000'
Cash and Cash equivalent	1,662,800
Receivables from exchange transactions	5,189,316
Total Current Assets	6,852,116
Non-Current Assets	
Long term receivable from exchange transactions	55,390,787
Net Assets	62,242,903
Capital Fund	60,000,000
Accumulated Surplus	2,242,903
Total Net assets & Liabilities	62,242,903

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

29. Trade and other Payables from Exchange Transactions

Description	2024 -2025	2023 -2024
	Kshs '000'	Kshs '000'
Trade Creditors	148,689	215,503
Sundry Creditors	238	7,207
Tax Liability	11,173	5,768
Totals	160,099	228,478

Aged Schedule for Trade Payables in Kshs.

	1-3 Months	3-6 Months	6-9 Months	9-12 Months	Over 1 year	TOTAL
	KShs '000'	KShs '000'	KShs '000'		KShs '000'	KShs '000'
Trade Creditors	147,166	1,523	-	-	-	148,689

30. Current provisions

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Audit fee Provision		
Balance at the beginning of the year	3,844	1,922
Additional Provisions	2,883	1,922
Provision utilised	3,844	-
Change due to discount and time value for money	-	-
Transfers from non -current provisions	-	-
Balance at the end of the year	2,883	3,844
Provision for Doubtful Debt		
Balance at the beginning of the year	25,756	30,715
Additional provision	1,522	(4,959)
Change due to discount and time value for money	-	-
Balance at the end of the year	27,276	25,756
Provision for Gratuity		
Balance at the beginning of the year	1,746	3,558
Additional provision	14,459	1,389
Provision Paid/Utilised	-	3,201
Change due to discount and time value for money	-	-
Balance at the end of the year	16,205	1,746
Ex-gratia Provision		
Balance at the beginning of the year	2,969	2,969
Additional provision	-	-
Change due to discount and time value for money	-	-

Balance at the end of the year	2,969	2,969
Salary Advance Provision		
Balance at the beginning of the year	-	11
Additional provision	-	-
Expensed	-	11
Balance at the end of the year	-	-
Total Provision (2,883+16,206+2969)	22,057	8,559

31. Deferred Income

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Public contributions and donations	14,655	24,291
Total deferred income	14,655	24,291

The deferred movement is as follows.

Public contributions and donations	2024-2025 KShs '000'
Balance brought forward	24,291
Additions	35,953
Transfers to Income	13,974
Transfers to income statement	31,615
Balance carried forward	14,655

32. Payment Received in Advance

Description	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Prepayment Liability	7,666	8,979

33. Cash flow Notes

a) Reconciliation of operating profit/(loss) to cash generated from operations

Description	2024-2025 KShs '000'	2023-2024 KShs '000'
Surplus for the year before tax	227,586	(189,386)
Adjusted for:		
Depreciation	87,764	83,848

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Gains and losses on disposal of assets	78	994
Contribution to provisions	-	(4,959)
Working capital adjustments		
Decrease/(increase) in current receivables	36,707	70,306
Decrease/(increase) inventories	(21,112)	(10,184)
Decrease/(Increase) in prepayments	16,276	4,306
(Decrease)/Increase in payables	(64,516)	69,778
(Decrease)/Increase Payment received in advance	(1,313)	533
Net cash flow from operating activities	281,470	25,236

b) Reconciled cash on revenue from exchange transactions

Description	2024-2025	2023-2024
	KShs '000'	KShs '000'
Rendering of services	2,118,756	1,485,417
Adjustment for		
Change in receivables	36,707	70,306
Change in payments received in advance	(1,313)	532
Total cash received from rendering services	2,154,150	1,556,255

c) Reconciled cash on revenue from exchange transactions

Description	2024-2025	2023-2024
	KShs '000'	KShs '000'
General Expenses	770,286	820,760
Adjusted for		
Changes in Inventories	21,112	10,184
Changes in prepayments	(16,276)	(4,306)
Changes in payables	64,516	(69,778)
Total cash in procuring general services	839,639	756,860

34. Financial Risk Management

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

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

(i) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs. '000'	Fully performing Kshs. '000'	Past due Kshs. '000'	Impaired Kshs. '000'
At 30 June 2025				
Receivables from exchange transactions	88,352	30,886	57,466	27,278
Receivables from non-exchange transactions	2,379	2,379		
Bank Balances	224,171			
Total	314,902	33,264	57,466	27,278
At 30 June 2024				
Receivables from exchange transactions	123,537	9,600	88,180	25,757
Receivables from non-exchange transactions	2,379	2,379		

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Bank Balances	31,612			
Total	157,528	11,979	88,180	25,757

Financial Risk Management

The organization changed its credit policy after the president launched an initiative of upfront payment of all government services through ecitizen. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Between 3-5 Months	Over 5 months	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
At 30 June 2025					
Trade payables	138,088	10,859	1,017	18	149,982
Provisions	22,057				22,057
Deferred income	14,655				14,655
Employee benefit obligation	10,117				10,117
Total	184,917	10,859	1,017	18	196,811
At 30 June 2024					
Trade payables	17,978	98,654	44,775	54,196	215,503
Provisions	8,559	-	-	-	8,559
Deferred income	24,291	-	-	-	24,291
Employee benefit obligation	16,548	6,148	28,890		51,586
Total	67,376	104,802	73,665	54,196	300,039

(iii) Market risk

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

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

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

There has been no change to the entity's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Financial Risk Management

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies	Total
	Kshs '000'	Kshs '000'	Kshs '000'
At 30 June 2025			
Financial assets			
Cash	206,902	20,259	224,161
Debtors	88,352	-	88352
Total financial assets	295,254	20,259	315,513
Financial Liabilities			
Trade and other payables	160,099	-	160,099
Total financial liabilities	160,099	-	160,099
Net foreign currency asset/(liability)	135,155	20,259	155,414

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Entity's statement of comprehensive income on applying the sensitivity for a reasonable possible negative change in the exchange rate on dollar currency, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
Current FY			
USD	10%	2,025	2,025
Previous FY			
USD	10%	313	313

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 2,241,715 (Current FY: Kshs 224,161,012). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 11,208,573 (Current FY – Kshs 221,634,191)

(iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Revaluation reserve	2,640,353	2,640,352
Retained earnings	735,643	508,057
Total funds	3,375,996	3,148,409
Total payables	209,352	270,307
Less: cash and bank balances	(224,161)	(31,612)
Net debt/(excess cash and cash equivalents)	(14,809)	238,695
Gearing	0.06	0.08

35. Related Party Balances

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of KEPHIS holding 100% of equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Agriculture & Livestock Development;
- iii) Key management; and
- iv) Board of directors

	2024-2025	2023-2024
	Kshs '000'	Kshs '000'
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	-	127,000
Total	-	127,000
b) Key management compensation		
Directors' emoluments	33,216	36,866
Compensation to the CEO	7,618	7,097
Compensation to key Top management	23,285	17,456

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

	Total	64,119	61,419
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36. Events after the Reporting Period

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

37. Ultimate and Holding Entity

KEPHIS is a State Corporation under the Ministry of Agriculture Livestock and Fisheries. Its ultimate parent is the Government of Kenya.

38. Currency

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

20. APPENDICES

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the Issue	Status:	Timeframe:
A. 1.	Lack of ownership titles for parcels of land in Nakuru and Kitale. Large part of land in Kitale is encroached	<p>Nakuru Municipality –KEPHIS has engaged KALRO on the issue of subdivision and transfer of title, contracted GEODEV Kenya Ltd to undertake the survey, subdivision, and titling of the land.</p> <p>Regarding Kitale land, the Service has requested the Ministry to intervene due to the entrenchment of the private persons who are holding large swaths of the land</p>	Professor Theophilus M. Mutui (Ph.D.) Managing Director	Not resolved	Not possible to project since there are other key stakeholders involved in the process.

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the Issue	Status:	Timeframe:
2.	Variance between revenue from exchange transactions and amount reflected in ecitizen with Kshs. 10,977,152 not transferred from the National Treasury.	The amount unremitted by close of 2023/24 financial related to revenues collected on 28 th , 29 th and 30 th June 2024 amount. The amount was received on 8 th July 2024 as part of the Kshs. 16,767,586 which included revenues for money collected on 1 st and 2 nd July, 2024	Ms Nancy Ndumia Director Corporate Services	Resolved	
B. 1	Negative Working Capital as the statement of financial position reflects total current assets of Kshs.208, 598,000 against total current liabilities of Kshs.270, 307,000 resulting in a negative working capital of Kshs.61, 709,000.	The institution implemented gazetted charges contained in legal notice number 48 of 2009 starting FY 24-. This increased the revenue collected and reversed the working capital to positive.	Professor Theophilus M. Mutui (Ph.D.) Managing Director	Resolved	

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the Issue	Status:	Timeframe:
C. 1	Long outstanding receivables with Kshs.88,179,556.70 outstanding for over one year of which included Kshs.17,828,460 being receivables that have been outstanding for over three years	Kephis changed its credit policy to upfront payment through ecitizen. Management continues to pursue recovery of unimpaired debt generated under policy through structured engagement and where necessary escalate mechanism including stoppage of services.	Ms Nancy Ndumia Director Corporate Services	Not resolved	June 2026
D. 1	Failure to alight noted to the financial statements	This was a regrettable omission		Resolved	
	Officers in acting position beyond stipulated time period: 5 members of staff had been in acting capacity for over 4 years.	The delay was caused by employment freeze affecting employment from year 2020 to 2024.	Ms Nancy Ndumia Director Corporate Services	Not resolved	June 2026
	Lack of unit with adequate staff and resources to coordinate	There was a comprehensive key result area to climate change within the strategic plan for the period 2023-2027. The activities		Not resolved	July 2026

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the Issue	Status:	Timeframe:
	mainstreaming of climate change action plan and other climate change statutory functions.	are undertaken by other departments awaiting revision of instruments			
	Noncompliance with rights and privileges of persons with disability where five (5) percent of human resource should be people living with disability.	This was as a result of hiring freeze. The organization to put efforts in bridging the gap.	Mr. Bernard Kiilu Head Human Capital	Not resolved	July 2026
	Long outstanding trade and other payables: there were payables amount Kshs 4,977,540 outstanding for over one year.	This was attributed to financial constraints stemming from insufficient budget caused by reduced government funding. The long outstanding debt was paid the following year.	Ms Nancy Ndumia Director Corporate Services	Resolved	
E. 1	Failure by board of directors to approve the budget within the stipulated timeline.	The budget had been approved by finance committee of the board within the set timelines and had been ratified by the full board afterwards.		Resolved	

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the Issue	Status:	Timeframe:
	Absence of management budget committee	The committee was reconstituted		Resolved	



PROF. THEOPHILUS M. MUTUI (PHD)
MANAGING DIRECTOR

Date: 4/12/2025

**Kenya Plant Health Inspectorate Service,
Annual Report and Financial Statements
For the year ended June 30, 2025**

Appendix II: Projects implemented by KEPHIS

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)
Horticultural Produce Compliance Enhancement Project	1169109800	GOK	01.07.23 - 30.06.28	Nil	No	Yes
KEPHIS Embu office	1169110801	GOK	01.07.24 - 30.06.28	Nil	No	Yes

Status of Projects completion

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Horticultural Produce Compliance Enhancement Project	879M	34,498,200	4%	35	27,314,400	GOK
2	KEPHIS Embu office	200M	-	-	-	-	GOK