

REPUBLIC OF KENYA

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REPORT

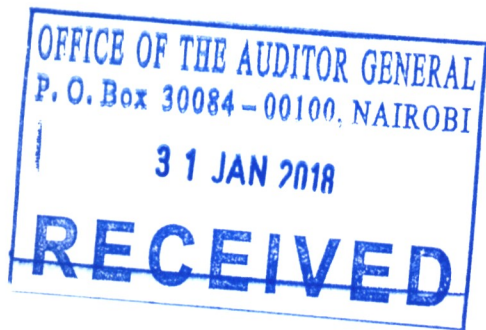
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA PLANT HEALTH INSPECTORATE
SERVICES**

**FOR THE YEAR
ENDED 30 JUNE 2017**



**KENYA PLANT HEALTH INSPECTORATE SERVICE
(KEPHIS)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2017

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

Key Management

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

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility are:

<u>Name</u>	<u>Designation</u>
Dr. Esther Kimani	- Managing Director
Mr. James Ang'awa	- General Manager - Finance & Administration from 1 st April 2017
Mr. Bartonjo Cheptarus	- Ag. General Manager - Finance & Administration upto 31 st March 2017
Mr. Simeon Kibet Kogo	- General Manager Quality Assurance
Dr. Isaac Macharia	- General Manager - Phytosanitary Services from 1 st April 2017
Mr. James Wahome	- Ag. General Manager - Phytosanitary Services upto 31 st March 2017

(d) Fiduciary Oversight Arrangements

The Corporation has the following fiduciary oversight structures:

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

(e) KEPHIS Headquarters

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

(f) Corporation Contacts

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

(g) Corporation Bankers

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

(h) Independent Auditors

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

II. BOARD OF DIRECTORS

Mr. Wycliffe O. Murwayi– Chairperson



Appointed on 24th June 2016.

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

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

Eng. Khamis Chome Abdi - Member



Appointed on 2nd October, 2015.

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

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

Prof. Anne W. T. Muigai– Member



Appointed on 2nd October, 2015.

Prof Anne Muigai is a molecular population geneticist with over 15 years' experience in the field of Genetics and Biotechnology. She holds a doctorate degree in Biochemistry, and a Master of Science in Genetics. She joined Jomo Kenyatta University of Agriculture and Technology - JKUAT in 1992 as a teaching assistant and has risen to the position of a Professor of Genetics in the Department of Botany. She has held several academic and administrative positions within JKUAT including being the pioneer Chairperson of

She has served as the Director of the Institute for Biotechnology Research, member of the JKUAT Senate and has also served in the JKUAT University Council. Currently she is the Editor in Chief of the Journal of Agriculture Science and Technology, and is the Coordinator of the postgraduate programmes in the Department of Botany. She has also served as a Visiting Scientist at the International Livestock Research Institute (ILRI) in Nairobi, Kenya where she was the coordinator of a research project on the characterization of indigenous sheep genetic resources of Kenya. She has carried out several consultancies for ILRI. Currently she is a member of the Technical Advisory Group on Animal Genetics to the African Union InterAfrican Bureau on Animal Genetics (AU-IBAR). At the KEPHIS Board, she serves as the Chairperson of the Technical Committee, and as a member of the Audit Committee.

Eng. M'Mwenda Kailu Joseph - Member



Appointed on 2nd October, 2015.

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

Mr. Mugambi Angaine - Member



Appointed on 31st May, 2016.

Mr. Mugambi Angaine is an experienced manager and leader at National and County Government levels with vast experience and exposure in institutional development and growth for social and economic benefits for the Kenyan people and the International Community. At the KEPHIS Board, he serves as a member of the Audit Committee. Previously, he has worked in the Ministry of Tourism as well as the Ministry of Public Works.

He is involved in private business which entails; managing large scale horticultural farming for export; managing zero grazing dairy farming; managing wheat farming for commercial and seed production; and managing petroleum products in partnership with Total Kenya. In his leadership role, he has participated in management at National and Community levels which entails: planning and development of strategic interventions; educating County employees and the general public on National values and principles stipulated in the Constitution; he has organized and supported youth projects on social and economic empowerment; he has organized and advised women groups for preparation and formulation of project proposals for funding; and he also serves as a Church elder for the Methodist Church of Kenya. Mr. Angaine was awarded by the retired President His Excellency Mwai Kibaki, a Presidential Farmers' Competition award scheme National Large Scale Farm Competition as the Farmer of the year during the Agricultural Society of Kenya Show at Nairobi. He holds a Bachelor's Degree in Business Administration, (Human Resource Management) from the Kenya Methodist University.

Mr. William K. Ngelechei - Member



Appointed on 2nd October, 2015.

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

Dr. Rose Njeru - Member



Appointed on 2nd October, 2015.

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 incharge of Capacity Building and Technology Deployment with an International Non-Governmental Organisation.

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 Organisation 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 served the KEPHIS Board, as a member of the Technical Committee upto 21st October, 2016.

Ms. Teresa Muthoni Muchira - Member



Appointed on 31st May, 2016

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

Mr. Julius Mutua – The National Treasury



Appointed on 16th May 2016.

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

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

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



Appointed on 11th November 2015

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

Dr. Esther Kimani – Managing Director



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

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

III. MANAGEMENT TEAM

Dr. Esther Kimani – Managing Director

Profile on page 9 above

Mr. Simeon Kibet – General Manager, Quality Assurance



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

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

Mr. Bartonjo Cheptarus - Acting General Manager, Finance & Administration (up to 31st March 2017)



Mr. Bartonjo joined KEPHIS in the year 2000, and has served in the capacities of Head of Finance and Head of Audit. He holds a Bachelor's Degree in Commerce (Finance Option) from the University of Nairobi.

He is a Certified Public Accountant, and is a member of the Institute of Certified Public Accountants, Kenya (ICPAK). ICPAK membership no. 4391.

Mr. James Angawa - General Manager, Finance & Administration



James joined KEPHIS on 1st April 2017. A Certified Public Accountant of Kenya, he has risen through corporate ranks to become a Senior Finance Executive, Controller, Manager and Trainer. James has extensive experience in corporate governance, strategy formulation, financial control policy development and implementation; intensive Board and Executive Committee contribution; facilitation as well as the administration and coordination of internal and external audits. His experience spans public and private sectors in various industries and services emphasizing Higher Education, Research & Technology transfer FMCGs, Water sector, Manufacturing, Financial Consulting, Professional practice, Automobile Dealerships Insurance and

national budget strategy paper (Bsp) resource allocation. It also includes organization reengineering, development growth and sustainability, executorships of public trust, business analysis, planning, budgeting, management evaluation & reporting, tax planning & management, IFRS, public sector accounting, staff management, administrative and commercial support. Some of the Companies he's worked for include Jubilee Insurance, Ssangyong Motors (k) Ltd, Kuguru Food Complex Group, KALRO's Sugar Research Institute, and Kisumu Water and Sewerage Company Ltd. James is a holder of a Bachelor's Degree in Accounting and an MBA in Finance and is a member of the institute of Public Accountants of Kenya (ICPAK). He has lectured in Accounting & Finance at Maseno University, and is currently pursuing a PhD at the University of Nairobi

Mr. James Wahome – Acting General Manager, Phytosanitary Services (up to 31st March)



Mr. Wahome joined KEPHIS in 1998 as a Plant Inspector having previously worked as the Chief Editor of Kilimo News at the Ministry of Agriculture, Agricultural Information Centre. He served two years as the Head of department, Phytosanitary Services before transferring to KEPHIS Mombasa as the Regional Manager until August 2015. He served as the Acting General Manager-Phytosanitary Services since October 2015.

Dr. Isaac Macharia – General Manager, Phytosanitary Services (from 31st March st April 2017)



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

IV. CHAIRPERSON'S STATEMENT

The Government of Kenya through its economic blue-print, Vision 2030 seeks to propel the country to achieving economic development with an average 10 percent growth rate that will enhance the country's status to a middle-income economy. Agriculture has taken a center stage and remains the main catalyst of growth in Kenya's economy. The sector contributes 26 per cent indirectly to GDP. During the second Medium Term Plan (MTP) Period (2013-2017); growing of crops and livestock production contributed an average of 27.3 percent of the national Gross Domestic Product (GDP), 65 per cent of Kenya's total exports, and 60 per cent of total employment.

According to the Kenya National Economic Survey 2017; contribution to GDP by crops and livestock, was at 30.9 percent in 2016 thus making agriculture the dominant sector. The sector contributed about 75 per cent of industrial raw materials and 60 per cent of export earnings. In 2016 Tea and Coffee production rose by 18.5 percent and 10.8 per cent to 473.0 thousand tonnes and 46.1 thousand tonnes respectively. Earnings from fresh horticulture exports increased by 12.3 per cent from Ksh. 90.4 billion in 2015 to Ksh. 101.5 billion in 2016. At the local level, the need for sustained agricultural productivity is very crucial in ensuring food security for the country, as well as creating income and wealth for both large and small-scale farmers.

KEPHIS plays an important role in ensuring the above-mentioned milestones are met for the country. To achieve this, the Corporation has focused on delivering on its mandate and has established strong systems and processes that ensure high quality agricultural inputs and produce in the sector.

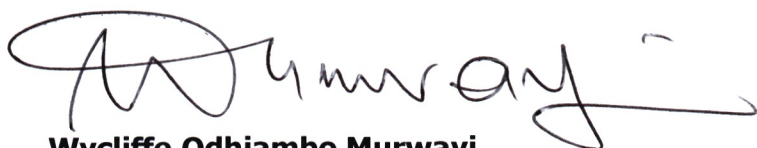
In unveiling the Annual Report and Financial Statements for the year ended 31st June 2017, it is worth noting that the agriculture sector is very dynamic and the operating environment has changed drastically during the period. Challenges were faced by the Corporation in the year under review and these mainly included emerging pests such as the fall Army worm which affected maize production. Unpredictable weather patterns with reduced levels of rainfall during the main crop seasons also led to reduction in yield levels for most crops.

Despite the challenges faced during the year, the Corporation also attained major milestones in serving its clients. Through the EU SMAP project, the Corporation was able to build capacity for both staff and clients in the area of trade standards in the agricultural sector with emphasis on the Horticultural sub-sector. This has enhanced awareness levels for clients, ensured compliance to market requirement and opened up new trade opportunities for their fresh produce. In addition, the project provided capacity expansion in form of equipment for the KEPHIS analytical and diagnostic laboratories. This has ensured the laboratories broaden the scope of analysis and serve clientele better.

The Corporation was also able to set pace for the next planning phase by development of the 2017/18-2021/22 Strategic Plan. This plan provides the road map for meeting our new vision of **"Healthy plants, safe trade and sustainable agro-environment for a prosperous Kenya"** and has taken into consideration key Government of Kenya economic development priorities as well as relevant areas in the United Nations Sustainable Development Goals (SDGs), the African Union Comprehensive Africa Agriculture Development Programme (CAADP), African Union (AU) Agenda 2063 as well as other regional and International policy documents.

Sustainability remains a major factor amid adjustments in budgetary allocations from the exchequer. In this regard implementation of KEPHIS programmes in the subsequent years shall focus more on resource mobilization, efficient management and new service areas. This is expected to enhance the Corporation's revenue streams and provide a major boost to the organization's financial resource base. This shall go a long way in ensuring that KEPHIS sustains its operations and fulfills its mandate.

I take this opportunity to thank the KEPHIS Board of Directors, management, key stakeholders and staff that made the year a success through their unreserved commitment towards enhancing Kenya's agricultural sector and economy.



Wycliffe Odhiambo Murwayi
Chairperson, Board of Directors

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is my pleasure to present to you the Kenya Plant Health Inspectorate Service (KEPHIS) Annual Report and Financial Statements for the year ended 30th June 2017. This report is a milestone for the Corporation, having gone through two decades of existence as an autonomous entity and regulator in Kenya's agricultural sector.

The Corporation has grown tremendously in the past twenty years of its existence and has continued to strengthen its role in assuring the quality of agricultural inputs and produce. The varied processes of the Corporation are now strengthened with the continued operationalization of the KEPHIS Act No. 54 of 2012 and other supportive Acts that include the Seeds and Plant varieties Act CAP 326 and the Plant Protection Act CAP 324. In the year under review, the Corporation concluded implementation of the 2012/13 – 2016/17 Strategic Plan and developed a new Strategy for the next phase. In the next financial year, the Corporation shall embark on execution of the Strategic Plan for the period 2017/18 – 2021/22.

In the past year, KEPHIS ensured quality of seed available to farmers through robust seed certification activities. 45 Plant Breeder's Rights (PBRs) were issued during the period compared to 42 last year. In addition, 69 new seed varieties were released during the period, 31 of which were drought tolerant. The Corporation also continued to support farmers in assuring quality of other inputs through analysis of fertilizers, water for irrigation, soil and pesticide formulations. This was made possible through accredited laboratories at Analytical Chemistry at Headquarters, Seed Quality lab at Nakuru and the Plant Health Laboratory at Plant Quarantine and Bio-Security station. This has been a major confidence booster especially for clients undertaking virology, pest and plant pathology related tests.

Plant health is core area for KEPHIS and in retrospect; the country has gone through numerous challenges in terms of crop pest and disease emergence. These included Potato Cyst Nematode (PCN), Fall Army worm and Papaya Mealy bug at the coast. Going forward, KEPHIS intends to work with partners and other agencies in developing a strong Early warning system for plant pest and diseases in order to prevent sudden resurgence. The Corporation shall also put in place a research unit to compliment other research agencies in the fight against introduction of harmful organisms to the country. Enhancement of surveillance activities and border control shall also be ensured as a critical step towards protecting the local farmer. The year also provided a first for KEPHIS, Kenya and the global community as well with the Corporation organizing the first Phytosanitary International Conference. This brought together various global players in the plant health industry from all over the world and showcased Kenya's potential in agriculture as well as Phytosanitary matters.

Capacity building remains a key focus area for KEPHIS. ICT technology has also been a key driver to the improvement of service delivery at KEPHIS. The Corporation has expanded the Export Certification System (ECS) to include other fresh produce crops, launched the Import Certification System (ICS) for certification of plant imports and integrated to the Kenya National Single Window system spearheaded by KENTRADE. In addition, KEPHIS launched a Seed certification system for seed labels certification system to allow self-service and tracking by seed merchants for ease of service delivery. A total of 18 seed merchants have registered and adopted the system. Capacity building of stakeholders was also done during the year. KEPHIS in collaboration with the University of Nairobi, Centre of African Biosciences International (CABI) and other partners continued

to operationalize the Centre of Phytosanitary Excellence (COPE), and managed to train 413 practitioners in the Horticultural sector both at local and regional level. This was an increase from 353 trained last year. In the next five years, the Corporation intends to strengthen COPE into an independent and autonomous center and streamline its operations and attract more collaborative support.

KEPHIS also focused on building capacity for local farmers as well as players at the County government level as a way of ensuring compliance to standards at the grass root levels. This is expected to enhance productivity and also create market access for local agricultural produce. In the period under review, KEPHIS undertook various initiatives in Elgeyo Marakwet and Meru Counties for Mango production, Nyandarua County for Potato production and Kisii County for Avocado production. The Corporation shall sustain progress on staff skill development to meet the necessary competencies required for the dynamic sector.

Resource mobilization and management remained a key area of focus for KEPHIS in the period. In the next financial year, creation and maintenance of new revenue streams as well as expansion of KEPHIS services shall be enhanced. Optimization of resource use and allocation shall also ensure sustainability for the Corporation. KEPHIS will enhance networks and collaboration with both local and international development partners with a view to exploring avenues of cooperation in the areas of plant protection, seed trade facilitation and laboratory work. The concept of Public-Private-partnership will also be initiated in various aspects and operations of the Corporation with the view of creating more business models for the Corporation in the future.

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



Esther W. Kimani, (PhD)
Managing Director

VI. CORPORATE GOVERNANCE STATEMENT

The KEPHIS Board of Directors is established by section 8 (1) of the Kenya Plant Health Inspectorate Service Act (2012). The Act stipulates that the board is responsible for the policy, control and management of the service.

Vide the Executive Order Number 7 of 2015, the President, approved the Mwongozo Code of Governance. The Code of Governance is anchored on Article 10, Article 73 and Article 232 Constitution of Kenya (2010). Article 10 embeds the national values and principles of governance, Article 73 entrenches the guiding principles of leadership and integrity whereas Article 232 stipulates the national values and principles of public service.

The board in the performance of its functions is guided by the provisions of the Constitution (2010), Kenya Plant Health Inspectorate Service Act (2012), Seeds and Plant Varieties Act, the Mwongozo code of Governance among other laws.

KEPHIS Vision and Values

KEPHIS vision is to be the lead regulator and facilitator of globally competitive agriculture.

KEPHIS service charter stipulates the guiding principles in the operations of the organization which are;

- (a) Customer focus;
- (b) Integrity;
- (c) Team Work;
- (d) Innovation and creativity;
- (e) Professionalism and
- (f) Corporate Social responsibility.

The boards as well as management have continued to uphold the core values of the organization. In line with the core values the board during the 2016-2017 financial year championed the development of the Strategic Plan 2017/2018 – 2022/2023, approved a new Human Resources Policies and Procedures Manual, Public Participation Policy, Rewards and Sanctions Policy and the Whistle blowing policy.

The development of the Strategic Plan (2017-2022) enabled us to examine the contextual environment in which we operate; explore the factors and trends that affect the way we perform our core functions; seek to meet and fulfill our vision and mission; identify strategic issues which must be addressed; and develop and implement strategies for attaining the predetermined objectives. The formulation and implementation of this roadmap is expected to positively impact KEPHIS and its stakeholders. A new vision, mission, core values, goals, objectives and strategies were formulated for the five year strategic period and these are:

Vision: ***Healthy plants, safe trade and sustainable agro-environment for a prosperous Kenya.***

Mission: ***To provide a science based regulatory service by assuring plant health, quality of agricultural inputs and produce for food security, globally competitive agriculture and sustainable development.***

To accomplish our vision and mission, the KEPHIS commits itself to observing the highest ideals of **customer focus, professionalism and integrity, teamwork, results oriented, innovation and creativity, and corporate social sustainability** as it implements its strategic objectives and strategies. Eight (8) objectives were identified to

enable achievement of our vision and mission. The objectives which are anchored on KEPHIS mandate are:

Protecting plants from pests, weeds and invasive species: The objective will be attained by enhancing diagnostic and advisory services; safeguarding against introduction and spread of harmful organism; supporting implementation of Bio-safety Act; enforcing regulations on imports; and carrying out pest surveillance, emergency response and reporting.

Establishing a robust, facilitative policy, legal and regulatory framework for KEPHIS: The objective will be accomplished by identifying the gaps in the policy, legal and regulatory framework; aligning the policies, legal and regulatory framework to prevailing local and international frameworks; and lobbying for enactment of revised policies, legal and regulatory framework.

Contributing towards improved levels of agricultural productivity: This objective will be attained by facilitating introduction and production of agricultural inputs and improved technologies; undertaking plant variety testing and protection; and undertaking seed certification.

Supporting Market Access and Compliance: The strategies for achieving this objective are ensuring export inspection and certification; implementation of requirements for official controls, undertaking analysis of agricultural produce for pesticide residues and contaminants including aflatoxin; and facilitating research to enhance certification regulation.

Building staff, stakeholders and infrastructural capacity to facilitate efficient and effective delivery of the KEPHIS mandate. This objective will be attained by enhancing staffing levels and skills; implementing human resource best practices; enhancing capacity for stakeholders; enhancing ICT infrastructure and systems; improving automation of KEPHIS operations (upgrade existing systems and development of new systems); enhancing the infrastructural facilities; enhancing asset management; enhancing Performance Management; developing and implementing a risk management system; and enhancing COPE.

Mobilizing adequate financial resources and ensure optimal allocation and utilization to enable full implementation of programmes and activities. The objective will be accomplished by broadening service/product base; enhancing fundraising; and implementing sound financial management.

Enhancing synergies through information and resource sharing with stakeholders and partners. This objective will be realized by conducting stakeholder mapping; enhancing interaction with international, regional and domestic associations; identifying and implementing suitable communication channels; promoting co-regulation with stakeholders; and enhancing engagement with stakeholders for resource mobilization.

Enhancing the visibility and corporate image of KEPHIS. This objective will be attained by enhancing communication and image-building framework; and undertaking corporate re-branding.

Implementation of these policies will enable the organisation move a step closer towards attaining the set mission and vision.

Board of Directors

The institution is run through the direction of the Board of Directors which is responsible for the implementation of the Mwongozo code of governance. The composition of the board is governed by section 8 of the Kenya Plant Health Inspectorate Act.

The board comprises of ten members, namely;

1. Mr. Wycliffe O. Murwayi	-	Chairperson
2. Eng. Khamis Chome Abdi	-	Member
3. Mr. William K. Ngelechei	-	Member
4. Ms. Teresia M. Muchira	-	Member
5. Prof. Anne W.T. Muigai	-	Member
6. Eng. Joseph Kailu M'Mwenda	-	Member
7. Mr. Mugambi Angaine	-	Member
8. Mr. Julius Mutua	-	Member
9. Mr. Joseph Ngetich	-	Member
10. Dr. Esther Kimani	-	Managing Director

Board and Committees Meetings

The Board has formed three principal committees which meet under well-defined terms of reference set by the board. These committees include: the Finance and Administration Committee, the Technical Committee and the Audit Committee.

The committees were formed so as to assist the board to effectively and efficiently carry out its functions.

The board meetings and committee meetings are held each quarter while special board meetings are called when it is deemed necessary to do so. During the 2016/2017 financial year, the Board and its Committees met on various occasions to consider a number of issues.

The Board and its Committees held a total of twenty eight meetings during the year (full board – nine; finance & administration committee – ten; technical committee – five and audit committee - four), which were attended as shown below:

Board Member	Finance & Administration Committee meetings	Technical Committee Meetings	Audit Committee Meetings	Ad Hoc Committee	Full Board Meetings	Participation in Other Activities
Mr. Wycliffe O. Murwayi	-	-	-	-	12	16
Eng. Khamis Chome Abdi *	12	3	-	-	13	8
Prof. Anne W.T. Muigai	-	5	6	1	9	10
Eng. Kailu M'Mwenda Joseph	12	1	-	-	11	3
Mr. William Kisorio Ngelechei	12	5	-	-	13	7
Ms. Teresa Muthoni Muchira	-	5	6	1	13	8
Dr. Rose Njeru ***	-	1	-	-	3	0
Mr. Mugambi Angaine	-	-	5	-	11	8
Mr. Joseph Ngetich	-	2	2	-	10	1
Mr. Julius Mutua ****	9	2	2	1	10	0

*Eng. Khamis Chome Abdi was nominated to the Technical Committee in November 2016 and attended his first meeting on 7th December 2016.

**Eng. Kailu M'Mwenda Joseph was nominated to the Technical Committee in March 2017 and attended his first Committee meeting on 2nd May 2017.

***Dr. Rose Njeru resigned from the KEPHIS Board during on 21st October 2016.

****Mr. Julius Mutua was nominated to the Finance & Administration Committee as well as the Technical Committee in July 2016. The Board requested him to serve in the Audit Committee in March 2017 and attended his first Audit Committee on 5th May 2017; hence he left the Technical Committee.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The 2016-2017 Corporate Social Responsibility (CSR) activity was held at Karai Children's Home in Kikuyu, Kiambu County. The home has 70 children aged between 7-18 years old. The children are fed and clothed at the home. The home also supports their education in different parts of the country. KEPHIS supported the home as per the requirements of the 2016-2017 Performance Contract: Empower People Living with HIV/AIDS (PLWHIV) to participate in agricultural activities as a source of employment and to undertake livelihood enhancement and food training programmes

The following were undertaken at the home:

- Construction of a greenhouse so the children could have a source of food (tomatoes) and sell the surplus, if any. KEPHIS collaborated with Hortitechno Produce and Services who supplied one green house to the home.
- Provision of advisory services by KEPHIS technical officers and educating the staff at the home on the importance of certified seed, how to control and manage pests and diseases in the green house and testing of agricultural inputs and produce through the analytical chemistry laboratory services.
- Training of staff on greenhouse use and maintenance, planting of crops and crop management.

The photos below were taken during the activity.



Moses Mwangi (behind 3rd left), a KEPHIS seed inspector with the children and staff at Karai children's home.



Moses Mwangi (right), a KEPHIS seed inspector with a staff at Karai children's home.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2017 which show the state of the Corporation's affairs.

Principal activities

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

Results

The results of the corporation for the year ended June 30th, 2017 are set out on pages 1 to 4.

Directors

The members of the board of directors who served during the year are shown on page 4 and 5 in accordance with section 6 (1) (a) of the State Corporations Act (Cap. 446).

Auditors

KEPHIS prepared and submitted accounts for the financial year in accordance with (Public Audit Act - CAP 412b) for audit to the Controller and Auditor-General. The Auditor General is responsible for the statutory audit of the corporation in accordance with Chapter 12, Part 6, Article 229 of the Constitution of Kenya for accounts of all authorities of the national governments; that have to be audited and reports prepared by the Auditor-General within six months after the end of the financial year.



Secretary to the Board of Directors, KEPHIS

Date: 26/1/2018

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICES FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Plant Health Inspectorate Services set out on pages 24 to 46, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Plant Health Inspectorate Service as at 30 June 2017 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 Order, 1996.

In addition, as required by Article 229(6) of the Constitution, except for the matter described in the basis for qualified opinion section of my report, I confirm that based on the procedures performed, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

Property, Plant and Equipment

As previously reported, property, plant and equipment balance of Kshs.1,159,442,000 as at 30 June 2017 includes eleven (11) parcels of land valued at Kshs.264,666,000 situated in Nakuru, Muguga, Kitale, Kabete, Embu, Karen and Kisumu. However, and except for land in Karen, Embu, Kabete and Kisumu, the Inspectorate does not possess ownership documents for the others.

Report of the Auditor-General on the Financial Statements of Kenya Plant Health Inspectorate Services for the year ended 30 June 2017

Further, out of the 125.3 hectares of land in Kitale held by third parties, the Inspectorate has so far recovered 34.09 hectares while a balance of 91.21 hectares is still held by private developers or occupied by squatters.

Although the management has made several attempts to repossess the parcel of land in Kitale that is in possession of third parties including engaging a lawyer at a fee of Kshs.1,000,000 to facilitate production of the title deed and initiated the process of transferring the ownership of Nakuru and Muguga parcels of land from KARLO (formerly KARI) to KEPHIS, it is not clear if and when title deeds will be obtained.

Consequently, it has not been possible to confirm that property, plant and equipment balance of Kshs.1,159,442,000 as at 30 June 2017 is fairly stated.

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

Material Uncertainty Related to Sustainability of Services

The statement of financial performance on page 24 reflects a deficit of Kshs.43,359,000 for the year ended 30 June 2017 (2016 – a deficit of Kshs.158,383,000). The statement of financial position on page 25 also reflects current assets totaling Kshs.176,140,000 and current liabilities totalling Kshs.197,050,000 as at 30 June 2017, respectively resulting to a negative working capital of Kshs.20,910,000. This trend, unless reversed, may affect the Inspectorate's ability to sustain its services in the long term. My opinion is not modified in respect of this matter.

Key Audit Matters

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Inspectorate's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern accounting assumption unless the Government either intends to liquidate the Inspectorate or to cease its operations, or has no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Inspectorate's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. 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.

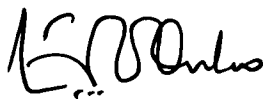
As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Inspectorate's internal control.

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

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

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



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

Nairobi

21 March 2018

Report of the Auditor-General on the Financial Statements of Kenya Plant Health Inspectorate Services for the year ended 30 June 2017

X. STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30th June, 2017

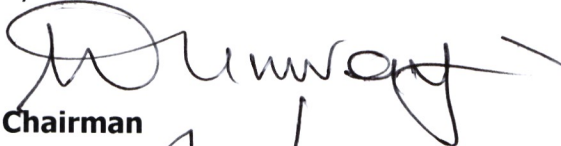
	Notes	2016-17 Kshs '000	2015-16 Kshs '000
Revenue from Non-Exchange Transactions			
Public Contributions and Donations	3	58,652	80,371
Transfers from Other Governments—gifts and services-in-kind	4	266,903	300,393
		325,555	380,764
Revenue from exchange Transactions			
Rendering of Services	5(a)	606,022	575,043
Hire of Facilities	5(b)	5,276	4,687
Finance Income-External Investments	5(c)	1,334	1,863
Other Income	6	3,013	2,252
		615,645	583,845
Total revenue		941,200	964,609
Expenses			
Employee Costs	7	493,852	504,900
Board Expenses	8	15,210	9,181
Depreciation and Amortization Expense	9	86,789	79,452
Repairs and Maintenance	10	49,661	61,088
Grants and Subsidies	11(a)	47,331	73,309
General Expenses	12	303,248	381,197
Total		996,091	1,109,127
Other gains/(Losses)			
Gain on sale of assets		1,073	-
Gain/Loss on foreign exchange transactions		372	1,119
Increase/Decrease in Provision for Doubtful Debts		10,087	(14,984)
		11,532	(13,865)
Surplus/ (Deficit) for the period		(43,359)	(158,383)
Attributable to:			
Surplus/(Deficit) Attributable to Government of Kenya		(43,359)	(158,383)

XII. STATEMENT OF FINANCIAL POSITION

As at 30th June, 2017

	Notes	2016-17 Kshs '000	2015-16 Kshs '000
Assets			
Current assets			
Cash and Cash Equivalents	13	33,756	69,742
Receivables from Exchange Transactions	14	65,813	55,069
Receivables from Non-exchange Transactions	15	1,293	2,789
Inventories	16	48,026	29,683
Prepayments	17	27,252	37,009
		176,140	194,292
Non-current assets			
Property, Plant and Equipment	18	1,152,831	1,091,194
Investments	19	60,000	60,000
		1,212,831	1,151,194
Total assets		1,388,971	1,345,486
Liabilities			
Current liabilities			
Trade & other Payables from Exchange Transactions	20	31,040	45,390
Provisions	21	961	961
Deferred Income	22	153,573	32,192
Payments Received in advance	23	4,170	5,738
Other Payables	24	7,306	25,926
		197,050	110,207
Total Liabilities		197,050	110,207
Net Assets		1,191,921	1,235,279
Reserves		451,194	451,194
Accumulated Surplus		740,727	784,085
Total Net Assets and Liabilities		1,191,921	1,235,279

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:


Chairman
 Date: 28/01/2018


Managing Director
 Date: 26/1/2018

XIII. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30th June, 2017

	Revaluation Reserve Kshs '000	Accumulated surplus Kshs '000	Total Kshs '000
Balance as at 30 June 2015	451,194	942,468	1,393,662
Surplus/(deficit) for the period	-	(158,383)	(158,383)
Currency translation differences			
Balance as at 30 June 2016	451,194	784,085	1,235,279
Surplus/(deficit) for the period	-	(43,358)	(43,358)
Balance as at 30 June 2017	451,194	740,727	1,191,921

XIV. STATEMENT OF CASHFLOWS

For the year ended 30th June 2017

	Notes	2016-17 Kshs '000	2015-16 Kshs '000
Cashflows from operating activities			
Receipts			
Public contributions and donations	3	37,430	70,170
Government grants and subsidies	4	266,903	300,393
Rendering of services		606,531	602,849
Finance income	5(c)	1,334	1,864
Other income, rentals and agency fees		8,312	(6,926)
		920,510	968,350
Payments			
Compensation of employees		493,852	504,901
Goods and services		448,157	502,466
Rent paid		3,528	3,700
		945,537	1,011,066
		(25,027)	(42,716)
Net cashflows from operating activities			
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(12,434)	(29,740)
Proceeds from sale of property, plant and equipment		1,475	-
		(10,959)	(29,740)
Net cashflows used in investing activities			
Net cashflows used in financing activities			
			-
Net increase/(decrease) in cash and cash equivalents			
		(35,986)	(72,456)
Cash and cash equivalent at 1 st July 2016		69,742	142,198
Cash and cash equivalents at 30th June 2017	13	33,756	69,742

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Original budget 2016-17 Kshs '000	Adjustments 2016-17 Kshs '000	Final budget 2016-17 Kshs '000	Actual on comparable basis 2016-17 Kshs '000	Performance difference 2016-17 Kshs '000
Public contributions and donations	38,221	-	38,221	58,652	20,431
Government grants and subsidies	750,000	-	750,000	266,903	(483,097)
Rendering of services (Note 26a)	524,954	73,090	598,044	606,022	7,978
Finance Income	1,286	-	1,286	1,334	48
Rental income and Hire of Facilities	8,897	(2,874)	6,023	5,276	(747)
Other income	3,906	(876)	3,030	3,013	(18)
Total income	1,327,264	69,340	1,396,604	941,200	(455,405)
Expenses					
Employee costs	720,423	-	720,423	493,852	226,571
Board Expenses (Note 26b)	10,685	6,048	17,093	15,210	1,883
Depreciation and amortization expense	94,256	-	94,256	86,790	7,466
Repairs and maintenance (Note 26b)	69,315	842	70,157	49,661	20,496
Grants and subsidies	38,221	-	38,221	47,331	(9,110)
General expenses	394,293	45,039	439,332	303,248	136,084
Total expenditure	1,327,193	52,289	1,379,482	996,091	383,391
Surplus for the period	71	17,051	17,122	(54,890)	(72,012)

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The Corporation's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Corporation and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

The Corporation which has hitherto been preparing its financial statements based on IFRS, has in these statements adopted IPSAS. This follows guidelines issued by the Public Sector Accounting Standards Board (PASB). PASB was established on 28th February, 2014 through Gazette Notice No. 1199 issued by the Cabinet Secretary National Treasury. The Board in its 4th Board meeting approved adoption of the IFRS, IPSAS and IPPF. The Board subsequently developed templates for financial reporting on the basis of the aforementioned standards.

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Rendering of services

The Corporation 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 Corporation.

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 – IPSAS 24

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

c) Property, plant and equipment – IPSAS 17

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 Corporation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

The Corporation applies the following rates of depreciation:

- Freehold land - nil
- Buildings 2%
- Plant and Machinery 12.5%
- Motor Vehicles 25%
- Office Equipment 12.5%
- Furniture and fixtures 12.5%
- Laboratory Equipment 12.5%
- Computers & Accessories 33.33%

The following residual values have been adopted:

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

d) Leases – IPSAS 13

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

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Held-to-maturity

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

Impairment of financial assets

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

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

i) Inventories – IPSAS 12

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 Corporation.

j) Provisions – IPSAS 19

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

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

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

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

n) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June was KShs. 101.1. 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.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.⁴

q) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Corporation
- 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%. Full provision was made for debt outstanding over one year and whose recovery remains doubtful.

u) Subsequent events – IPSAS 14

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, 2015

v) Related Parties –IPSAS 20.4

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

w) Taxation

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

x) Financial Risk Management

The Corporation is exposed to financial risks relating to changing environmental factors such legal, economic and industry/ business conditions. The risks include credit risk, foreign currency exchange rate risk and liquidity risk. The Board provides direction in terms of policies and advice on risk management. Risk management assessments are undertaken periodically and risk mitigation measures are developed. Implemented measures form part of the internal controls which are subsequently evaluated through an internal audit mechanism.

Fair Values

The following is the fair value assessment of carrying amounts versus fair value amounts:

Financial Assets

	Carrying Amount KShs 000	Fair Value KShs 000
2017		
Investments	60,000	60,000
Receivables from Exchange Transactions	65,813	65,813
Cash and Cash Equivalents	33,756	33,756
	159,569	159,569
2016	KShs 000	KShs 000
Investments	60,000	60,000
Receivables from Exchange Transactions	55,070	71,251
Cash and Cash Equivalents	69,742	69,742
	184,812	184,812

Financial Liabilities

	Carrying Amount KShs 000	Fair Value KShs 000
2017		
Trade Payables from Exchange Transactions	31,040	31,040
	31,040	31,040
2016	KShs 000	KShs 000
Trade Payables from Exchange Transactions	45,390	45,390
	45,390	45,390

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties.

The following methods and assumptions are used to estimate the fair values:

- Cash, trade payables and trade receivables have short term maturities and are assessed as such.
- Investments are held to maturity.

Credit Risk

This is risk of loss from defaulting clients. The carrying amount in the financial statements represents the maximum credit exposure.

	2016-17	2015-16
	KShs 000	KShs 000
Receivables from Exchange Transactions	65,813	71,251
Maximum Exposure to Credit Risk	65,813	71,251

The credit quality of the balance of receivables is as follows:

	KShs 000	KShs 000
High	6,536	8,263
Medium	13,634	15,472
Low	45,643	31,335
	65,813	55,070

Investments

The investment has no significant exposure to credit risk.

Receivables

Receivables are amounts owed by clients, and are presented net of impairment losses. The Corporation has credit policy in place, and exposure to credit risk is monitored. The Corporation is mandated by law to provide services to farmers whose creditworthiness may not be fully assessable.

Cash and Cash Equivalents

The Corporation's cash and cash equivalents are domiciled in reputable financial institutions that meet stringent Central Bank of Kenya requirements.

Liquidity Risk

This is the risk of not being able to meet obligations as they fall due. The Corporation endeavours to maintain sufficient liquidity to meet its liabilities when due. This is achieved by ensuring conversion into cash of amount equivalent to 100% of annual total invoiced value credit sales.

Foreign Currency Risk

The Corporation is exposed to currency fluctuation risk in relation to amounts held in dollars. The exposure is relatively small due to the amounts involved. The risk is managed by use of the dollars to pay dollar invoices and converting surplus into KShs. only when the exchange rate is favourable.

3.Public contributions and donations

	2016-17	2015-16
	Shs 000	Shs 000
CIP-PQS project grant-Tissue Culture	-	443
COPE	12,882	8,346
IITA GCDT Project	-	1,050
ASSIP Kenya - Netherlands Embassy	-	4,379
Potato Seed training - Netherlands	-	200
IITA COMPRO II	451	1,726
KARI KAPAP	-	111
EU SMAP	-	30,533
COMESA/RIIP	10,000	18,074
SASHA II Sweet potato	4,018	3,206
STDF/Comesa	-	2,102
CIP- Prebasic seed Revolving fund	1,901	
KFC/KAVES	1,553	-
Agri experience	4,184	-
CIP Ralstonia	465	-
CIMMYT	1,574	-
Total receipts	37,028	70,170
EU SMAP Equipment donation	143,005	-
Total transfers and sponsorships	180,033	70,170

Reconciliation of public contributions and donations

	2016-17	2015-16
	Shs 000	Shs 000
Balance un-spent at beginning of year	32,192	42,392
Current year receipts	180,033	70,170
Adjustment	-	-
Conditions met – transferred to revenue	(58,652)	(80,371)
Conditions to be met-remain liabilities	153,573	32,192

4. Transfers from other governments—gifts and services-in-kind

	2016-17	2015-16
	Shs 000	Shs 000
4.1 Unconditional grants		
Operational grant from the Ministry of Agriculture	266,903	300,393
Other	-	-
	266,903	300,393
4.2 Conditional grants		
Development Grant from the Ministry of Agriculture	-	-
Total government grants and subsidies	266,903	300,393
4.3 Reconciliation of conditional grants		
Balance unspent at the beginning of the year	-	-
Current year receipts	266,903	300,393
Conditions met-transferred to revenue	(266,903)	(300,393)
Conditions to be met-liabilities	-	-

5. Revenue**a. Rendering of services**

	2016-17	2015-16
	Shs 000	Shs 000
Phytosanitary Services	413,808	348,384
Seed Certification	150,360	165,184
Plant Variety Services	24,034	35,902
Analytical Laboratory Services	9,553	22,809
Other	8,267	2,764
Total revenue from the rendering of services	606,022	575,043

b. Hire of Facilities

	2016-17	2015-16
	Shs 000	Shs 000
Hire of Facilities	5,276	4,687

This is revenue internally generated from hire of accommodation and conference facilities.

c. Finance Income

	2016-17	2015-16
	Shs 000	Shs 000
Finance Income	1,334	1,864

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

6. Other income

	2016-17	2015-16
	Shs 000	Shs 000
Other income- miscellaneous receipts	3,013	2,252
Total other income	3,013	2,252

7. Employee costs

	2016-17	2015-16
	Shs 000	Shs 000
Salaries and wages	244,644	252,779
Contributions to pensions and medical aid	80,700	84,759
Other personal allowances	66,331	64,682
Housing benefits	93,258	93,128
Overtime payments	3,407	3,779
Staff Training	5,512	5,774
Employee costs	493,852	504,900

8. Related Party and Related Party Transactions**Board Expenses**

	2016-17	2015-16
	Shs 000	Shs 000
Allowances and Subsistence	14,016	9,093
Medical Premium	130	88
Honoraria	1,064	-
Total Board Remuneration	15,210	9,181

9. Depreciation and amortization expense

	2016-17	2015-16
	Shs 000	Shs 000
Property, plant and equipment	86,790	79,452
Total depreciation and amortization	86,790	79,452

10. Repairs and maintenance

	2016-17	2015-16
	Shs 000	Shs 000
Property	11,919	15,637
Equipment	15,676	13,271
Vehicles	22,066	27,300
Minor Alterations and repairs	0	4,879
Total repairs and maintenance	49,661	61,088

11. Grants and subsidies

	2016-17	2015-16
	Shs. 000	Shs. 000
(a) Statement of financial performance		
EAAPP - World Bank	4	6
COPE	15,917	10,186
CIP -PQS	-	377
ASSIP Kenya - Netherlands Embassy	374	5,660
SASHA II	3,281	3,736
IITA BGMF Basic seed (5CP)	110	-
Netherlands Potato seed	200	-
IITA COMPRO II	900	916
KARI KAPAP	-	148
EU SMAP	8,064	36,641
COMESA/RIIP	14,812	15,638
STDF COMESA	486	-
KFC/KAVES	108	-
Prebasic Seed Fund PQS	335	
Agri-Experience/Seed	2,740	
	47,331	73,309
(b) Statement of financial position		
Assets – EU SMAP	-	5,057
Assets – COMESA/RIIP	-	2,005
EU SMAP – Equipment	11,321	-
	11,321	7,062
Total grants and subsidies	58,652	80,371

12. General expenses

	2016-17	2015-16
	Shs 000	Shs 000
Advertising	2,208	2,668
Auditfees	836	961
Consumables	17,632	18,832
Electricity	18,118	18,802
Fuel and oil	19,939	23,047
Insurance - Assets	6,622	6,524
Chemicals	16,961	34,642
Watercost	492	597
Postage	3,647	3,392
Printing of Security Documents and Other Materials	34,297	61,333
Hire charges	1,554	1,333
Rental	3,528	3,700
Security and cleaning costs	20,152	19,738
Telecommunication	18,472	22,647

Training farmers and other stakeholders	4,971	5,006
Trade Shows and Exhibitions	12,045	12,356
Traveling and Accommodation -Local	72,305	101,718
Traveling and Accommodation -External	10,091	15,429
Contracted Services	16,028	4,274
Other	23,350	24,199
Total general expenses	303,248	381,197

13. Cash and cash equivalents

Bank	Branch	Particulars	Account Number	Amount Shs 000 2016-17	Amount Shs 000 2015-16
KCB	Karen	KEPHIS	1108285430	10,431	11,831
KCB	Karen	KEPHIS(Dollar)	1104843269	1,426	7,402
KCB	Karen	KEPHIS	1108285678	8,590	18,377
KCB	Karen	Kephis-Assip	1138298948	299	303
KCB	Karen	Kephis-Cope	1130043959	1,166	2,947
KCB	Karen	Kephis sinking Fund	1128368366	1,095	1,099
KCB	Karen	Kephis EAAPP Project	1121039685	268	272
NIC	Karen	EU Smap	1001569364	3,564	8,585
KCB	Kisumu	Kephis Kisumu	1104038307	-	181
KCB	Kitale	Kephis Kitale	1108814093	-	384
KCB	Kilindini	Kephis Chief Grader	1101574712	8	906
KCB	Naivasha	Kephis Naivasha	1121954359	61	26
KCB	Nakuru	Kephis Nakuru	1101844876	1,091	872
KCB	Sarit Centre	Kephis Plant Quarantine Station	1107093724	993	790
CBA	Swissport	Kephis JKIA	6523810017	2,822	8,703
KCB	Embu	Kephis Embu	1102966649	326	436
MPESA				306	2,437
Undeposited funds				1,310	4,191
Total cash and cash equivalents				33,756	69,742

14. Receivables from exchange transactions

	2016-17 Shs 000	2015-16 Shs 000
Current receivables		
Service debtors	77,685	77,028
Less:Provision for doubtful debts	(11,872)	(21,958)
Total current receivables	65,813	55,070

15. Receivables from non-exchange transactions

Current receivables	2016-17	2015-16
	Shs 000	Shs 000
Staff pension and group life	0	149
Staff advances	874	390
Interest receivable	419	2,250
Total current receivables	1,293	2,789

16. Inventories

	2016-17	2015-16
	Shs 000	Shs 000
Inventories	48,025	29,683

17. Prepayments

	2016-17	2015-16
	Shs 000	Shs 000
Prepayments - Supplies	15,576	19,915
Travel Imprests	6,038	11,262
Deposits -Suppliers	5,638	5,832
	27,252	37,009

18. Property plant and equipment

COST OR VALUATION	LAND	BUILDINGS	W.I.P	PLANT AND MACHINERY	MOTOR VEHICLES	COMPUTERS AND ACCESSORIES	OFFICE EQUIPMENT	FURNITURE AND FITTINGS	LABORATORY EQUIPMENTS	TOTALS
cost:Shs. '000'										
July 1st 2015	264,666	639,699	6,611	71,208	192,673	58,549	19,337	12,427	215,103	1,480,272
Additions	-	-	-	4,353	-	15,371	2,032	935	7,050	29,741
Disposal	-	-	-	-	-	-	-	-	-	-
At 30th June 2016	264,666	639,699	6,611	75,561	192,673	73,920	21,369	13,362	222,153	1,510,013
July 1st 2016	264,666	639,699	6,611	75,561	192,673	73,920	21,369	13,362	222,153	1,510,013
Additions	-	-	-	-	-	5,472	2,360	680	146,928	155,440
Transfer	-	-	(6,611)	-	-	-	-	-	-	(6,611)
Disposal	-	-	-	-	(4,050)	-	-	-	-	(4,050)
At 30th June 2017	264,666	639,699	-	75,561	188,623	79,392	23,729	14,042	369,081	1,654,791
DEPRECIATION										
July 1st 2015	-	48,196	-	19,888	135,439	38,752	8,530	6,345	82,219	339,368
Charge for the year	-	12,794	-	8,765	18,182	9,873	2,453	1,524	25,861	79,452
Disposal	-	-	-	-	-	-	-	-	-	-
Accumulated at 30th June 2016	-	60,990	-	28,652	153,621	48,625	10,982	7,869	108,080	418,819
July 1st 2016	-	60,990	-	28,652	153,621	48,625	10,982	7,869	108,080	418,819
Charge for the year	-	12,794	-	8,973	12,149	10,399	2,755	1,634	38,086	86,790
Disposal	-	-	-	-	(3,649)	-	-	-	-	(3,649)
Accumulated at 30th June 2017	-	73,784	-	37,625	162,121	59,024	13,738	9,503	146,166	501,960
Net Book Value at 30th June 2017	264,666	565,915	-	37,935	26,502	20,368	9,991	4,538	222,915	1,152,831
Net Book Value at 30th June 2016	264,666	578,709	6,611	46,908	39,053	25,295	10,387	5,492	114,074	1,091,194

19. Investments

	Carrying Amount Shs 000	Fair value Shs 000
Held-to-maturity financial instruments		
Fixed Deposits		
Opening balance at 1st July 2015	60,000	60,000
Additional investments made	-	-
Interest capitalized	-	-
At 30 June 2016	60,000	60,000
Additional investments made	-	-
Interest capitalized	-	-
At 30 June 2017	60,000	60,000

20. Trade and other payables from exchange transactions

	2016-17 Shs 000	2015-16 Shs 000
Trade and other payables	31,040	45,390

21. Current provisions

<u>Statement of Financial Position:</u>	2016-17 Shs 000	2015-16 Shs 000
Balance at the beginning of the year	961	788
Additional provisions raised	-	173
Provision utilized	-	-
Change in provision due to change in Discount factor and time value of money	-	-
Transferred from non-current provisions	-	-
Balance as at 30 June	961	961

Statement of Financial Position:

	2016-17 Shs 000	2015-16 Shs 000
Debtors		
	Shs 000	Shs.000
Balance at the beginning of the year	21,958	6,975
Additional provisions raised	-	14,983
Provision utilized	(10,086)	-
Change in provision due to change in discount factor and time value of money	-	-
Balance at the end of the year	11,872	21,958

22. Deferred Income

	2016-17	2015-16
	KShs 000	KShs 000
Project Grant Balances as at 30 th June 2017	21,889	32,192
Donated Asset-SMAP	131,684	-
Deferred Income	153,573	32,192

23. Payments received in advance

	2016-17	2015-16
	KShs 000	KShs 000
Payments Received in advance	4,170	5,738

24. Other Payables

	2016-17	2015-16
	Shs 000	Shs 000
Tax	6,216	8,271
Sundry creditors	1,090	17,655
Other payables	7,306	25,926

(VII). PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2015/16	Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers	Muguga and Nakuru land are not in dispute and are part of larger parcels held by KALRO. The Corporation obtained letters of no objection from KALRO to process sub-division and titles for the two parcels. The process is still ongoing. In regard to Kitale land, the Corporation has over the years made a lot of effort to obtain title for the land and recover the encroached portion. These efforts can only succeed with full support of the Government.	Dr. Esther Kimani Managing Director	Not resolved	Not possible to project due to the fact that there are other key stakeholders involved in the process.
	Payments made to former CEO who had been sent on prolonged leave by the Ministry	The matter was handled by the Ministry. The Corporation complied with Human Resource Policy and the law in handling the matter.			



Managing Director

Date..... 26/1/2018