

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 11 MAR 2026

DAY.

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LEADER OF MINORITY PARTY

HON. OWEN BAYA, MP

CLERK-AT
THE-TABLE:

J. LEMERELLE

THE AUDITOR-GENERAL

ON

**VETERINARY SERVICES DEVELOPMENT
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2025**



MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

STATE DEPARTMENT FOR LIVESTOCK DEVELOPMENT

VETERINARY SERVICES DEVELOPMENT FUND (VSDF)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2025**

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

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The VSDF was created under the Exchequer and Audit Act Cap 412 through Legal Notice No. 109 of May 1996 with the Permanent Secretary in charge of the Ministry of Livestock being the accounting officer. An amount of K£1,000 was appropriated by Parliament and was provided during the Financial year 1996/97.

(b) Principal Activities

a) The VSDF is run under the State Department for Livestock Development at Kabete with a major aim of preventing and controlling animal diseases and pests to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high-quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment. The main areas of focus is Disease investigation, surveillance, diagnosis, reporting and notification, Development and review of national policies for the animal resource industry, export and import quality control, inspection and certification of animals, animal products, feedstuffs and veterinary products, and support development of national disease management strategies and trans-boundary animal disease control programmes.

In general, more than profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

(c) Key Management

The Veterinary Services Development Fund day-to-day management was under the following key organs:

- | | |
|-------------------------------------|--------------------------|
| - Principal Secretary: | - Hon. Jonathan M. Mueke |
| - Director Veterinary Services: | - Dr. Allan Azegele |
| - Fund Manager: | - Dr. Peter Mung'athia |
| - Senior Deputy Accountant General: | - CPA Joseph Nyamora |
| - Senior Chief Finance officer: | - Mr. Waiganjo Waweru |
| - Procurement Officer: | - Mr. Kelvin Ndiuki |

(d) Fiduciary Management

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

No.	Designation	Name
1.	Principal Secretary	Hon. Jonathan M. Mueke
2.	Director Veterinary Services	Dr. Allan Azegele
3.	Fund Manager	Dr. Peter Mungathia
4	Senior Deputy Accountant General	CPA Joseph Nyamora
5	Senior Chief Finance officer	Mr. Waiganjo Waweru
6	Procurement officer	Mr. Kelvin Ndiuki

(e) Fiduciary Oversight Arrangements

Veterinary Services Development Fund (VSDF) operates under the VSDF Steering Committee only.

(f) Entity Headquarters

Private Bag Kangemi 29114-00625
VetLabsKabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(g) Entity Contacts

Private Bag Kangemi 29114-00625
VetLabs Kabete
Off Waiyaki Way
Nairobi, Kenya
Tel: 020-8043441
E-mail: infodvs@kilimo.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Sarit Centre Branch
P.O. Box 14959
Westlands 00800
Nairobi, Kenya

**Veterinary Services Development Fund
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(i) Independent Auditors






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

(j) Principal Legal Adviser


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

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1. STEERING COMMITTEE MEMBERS.

Ref	COMMITTEE MEMBERS	Details
1.	 Dr. Joshua Chepchieng.	Secretary Administration State Department for Livestock Development; Ministry of Agriculture and Livestock Development.
2.	 Dr. Allan Azegele.	Director of Veterinary Services. He has served in the Directorate of veterinary services for over 30 years since graduating with a bachelor's degree in Veterinary Medicine in 1992. He holds a Master's Degree in Veterinary Public Health.
3.	 Dr. Abraham Sangula	Senior Deputy Director of Veterinary Services BVM (UoN), MSc (UoN). State Department for Livestock Development; Ministry of Agriculture and Livestock Development.
4.	 Dr. Peter Mung'athia.	VSDF (Fund) Manager Deputy Director of Veterinary Services BVM (UoN), State Department for Livestock Development; Ministry of Agriculture and Livestock Development
5.	 Norah Kandie.	Deputy Director – Leather development BSc (UoN) State Department for Livestock Development; Ministry of Agriculture and Livestock Development.

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

6.	 CPA Joseph Nyamora.	Senior Deputy Accountant General CPA(K), Head of Accounting Unit State Department for Livestock Development; Ministry of Agriculture and Livestock Development
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2. MANAGEMENT TEAM

Ref	Management	Details
1.	 Dr. Allan Azegele.	Director of Veterinary Services He is the cheque signatory to the fund and also payments Approver.
2.	 Dr. Peter Mungathia.	VSDF (Fund) Manager Deputy Director of Veterinary Services
3.	 CPA Joseph Nyamora.	Senior Deputy Accountant General Head of Accounting Unit State Department for Livestock Development. He is the cheque signatory.

3. CHAIRMAN'S STATEMENT

The Accounting officer who is the Fund Administrator has the responsibility of appointing the steering committee which oversees the activities of the Fund.

The Chairman provides leadership and governance of the Fund and creates conditions for overall committee and individual member's effectiveness by ensuring that all key and appropriate issues are discussed by the committee in a timely manner. The chairman ensures that the committee plays a full and constructive part in the development and determination of the Fund's strategies and policies. He also ensures that the Fund is supplied with timely and sufficient information to enable it discharges its duties effectively.

Some of the key Fund's achievements during the financial year under review included the following:-

- Preparation of the FY 2025/2026 Annual Budget and Work plan and presenting it to the steering committee for discussion and further forwarding to the National Treasury for Approval.
- Approved and continually monitored the implementation of the Fund's annual operating Plans and Budget;
- Implemented strict Revenue Collection measures which necessitated correction of the same to a tune of over Kenya shillings One hundred fifty four million (**154,639,768**) against the set target of Kshs. 145,000,000.
- Facilitated procurement of goods and services for provision of national veterinary services
- Promotion of food safety by monitoring of veterinary drugs/ chemical residues in honey, meat and milk as per residue monitoring plans and inspection, licensing and approval of facilities dealing with animals, animal products, animal genetics and feeds.
- Supported Kenya to host the Codex committee on Food Hygiene.
- Accreditation maintainance of veterinary laboratories ISO/IEC 17025 through training ,monitoring and calibration of equipments
- Capacity building of stakeholders and counties in a wide range of livestock matters including regulations and supervisions.
 - Supported the Launch of National vaccination campaign in Kitui,Embu,Nanyuki and Garissa in support of Presidential Directive on control and eradication of PPR
 - The fund was also used in monitoring, evaluation, supervision and reporting of levels of implementation of various capital projects under the directorate of veterinary services.

Sign.....

Dr. Joshua Chepchieng
VSDF Steering Committee Chair.

Date.....

4. STATEMENT OF VETERINARY SERVICES DEVELOPMENT FUND

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025

The mandate of the VSDF is to provide funds for the development and delivery of veterinary services

The vision for the VSDF is to be the most efficient and formidable Fund to steer delivery of quality veterinary services.

The Mission of the Fund is to raise revenues for efficient and sustainable delivery of veterinary services.

Directorate specific objectives

- b) Development and review of national policies for the animal resource industry.
- c) Disease investigation, surveillance, diagnosis, reporting and notification.
- d) Sanitary control for imports and exports of animals, animal products, feedstuffs and veterinary products.
- e) Management of ports of entry veterinary services.
- f) Export and import quality control, inspection and certification of animals, animal products, feedstuffs and veterinary products.
- g) Development of national disease management strategies and trans-boundary animal disease control programmes.
- h) The World Trade Organization (WTO) enquiry point on animal health measures.
- i) Integration of regional and international animal health measures, inputs and standards under agreements, conventions and treaties ratified by Kenya. Such treaties include the EAC treaty, COMESA treaty, the WTO Agreement on Sanitary and Phytosanitary Standards, the OIE treaty and the Codex Alimentarius Commission standards.
- j) Development and review of national animal disaster management strategies.
- k) Capacity building and technical assistance to counties.
- l) National Veterinary Service providers shall collaborate with the Kenya Fisheries Service and Kenya Wildlife Service in matters of fish and wildlife health respectively.
- m) National Veterinary Service providers shall collaborate with the Ministry responsible for health services in matters of zoonoses and the 'One Health approach'.

ACHIEVEMENTS WITHIN THE FINANCIAL YEAR

During this financial year, the Directorate of Veterinary Services continued to provide accessible and effective veterinary services for production of safe and high-quality animal and animal products in a sustainable environment while promoting trade, industrial growth and food security for Kenya. The Directorate continued to enhance consultation and cooperation as the basis of mutual relations between national and county governments in the delivery of veterinary services.

The following activities were carried out;

- Development and review of national policies and strategies which included development of Hides,skins and leather Fund, VSDF Regulations 2024.Development of animal genetics trade standards, and Animal Health bill, Animal Welfare and Protection bill and Veterinary Public Health bill.
- Facilitation of domestic and international trade in livestock and livestock products through support of Ports of entry management.
- Monitoring and evaluation of revenue collection in Veterinary investigation Laboratories (VILs), Veterinary Farms and at Export Slaughter houses.
- Disease and pest surveillance undertaken in Kenya in sentinel herds and apiaries
- Capacity building of stakeholders in the disease control strategies, veterinary public health, animal breeding and value addition of hides and skins.
- Enhancement of food safety through inspection and licensing of premises processing food of animal origin.
- Supported Laboratory testing for disease detection, Antimicrobial resistance surveillance and residues detection in animal products commodity trade.
- Facilitated Kenya participation an international meeting of Codex Committee on Food Hygiene and WOAH.
- Supported Launch of Vaccination campaigns against FMD and PPR in Kitui,Laikipia,Embu, Garissa and Ring vaccination of FMD in Meru.

5. REPORT OF THE FUND ADMINISTRATOR.

The Accounting officer who is the Fund Administrator Responsibilities' are clearly articulated as per the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties: -

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as may from time be required.
- If he thinks fit, impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.


The Fund Administrator accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The Fund Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Fund Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Sign.....

Hon. Jonathan M. Mueke
Accounting Officer

Date.....04/12/2025.....

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE: 11 MAR 2026			
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DAY.			
WEDNESDAY			
TABLED BY:	LEADER OF MAJORITY PARTY HON. ONEN BAYA MP		
CLERK-AT THE-TABLE:	S' LEMERELLE		

6. CORPORATE GOVERNANCE STATEMENT

The Veterinary Services Development Fund is under the Management of a steering committee appointed by the fund Administrator who is the Principal Secretary and has the role of Overseeing the approval and review of all overall strategies for the utilization of the fund, initiate policy, legal review and VSDF management structure. The steering committee is composed of the following:

i. Principal Secretary.

The Principal Secretary or his Representative is the fund administrator and the Chair to the steering committee. He can attend in person or can appoint his representative. During the financial ended the PS representative was Dr. Joshua Chepchieng

ii. Director Veterinary Services/His Representative

The Director Veterinary Services is a member to the committee. He can attend in person or can appoint his representative. Dr. Allan Azegele, was the DVS during the period.

iii. VSDF Manager

The VSDF Manager is the Secretary to the fund and is responsible for the day to day operations of the fund on behalf of the DVS. During the year under review Dr. Peter Mung'athia was the VSDF Manager in charge.

iv. Head Accounting Unit

The Head Accounting Unit is a member to the committee. CPA. Joseph Nyamora represented the Head Accounting Unit for the year under review.

v. Head Budget and Finance

Head Budget and Finance is a member to the committee. Dr. Abraham Sangula represented the Budget and Finance for the year under review.

vi. Head Leather Development

Head Leather Development Unit is a member to the committee. Norah Kandie represented the Head Leather Development Unit for the year under review.

vii. Head Finance

The Chief Finance Officer of State Department for Livestock Development is a member to the committee. Mr. Waweru Waiganjo represented the State Department Finance Section for the year under review

Steering Committee meetings

The Steering Committee meets at least once every quarter depending on the exigencies of the business to offer strategic guidance and policy direction to the Fund activities.

8. REPORT OF THE VSDF FUND MANAGER

The Steering Committee submit their report together with the audited financial statements for the period ended 30th June, 2025 which show the state of the Veterinary Services Development Fund affairs.

i) Principal activities

The principal activities of the Veterinary Services Development Fund are and continue to be prevention and surveillance of animal diseases and pests, to safeguard human health, improve animal welfare, increase livestock productivity, ensure high quality livestock and their products and facilitate domestic and international trade. It also hopes to provide and facilitate efficient veterinary services for production of safe and high-quality animals, animal products and by-products and promote trade and industrial growth in a sustainable environment.

In general, more that profit motive, it is driven by need to serve the general public by ensuring consumption of safe animal products in a hygienic environment while keeping and maintaining health animal in an effort to achieve self-sustainability and promotion of both internal and external trade in animal products.

ii) Results

The results of the entity for the period ended 30th June, 2025, are set out on pages 1-5.

iii) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) 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. There was no any remittance made by the fund to the Consolidated Fund.

iv) Auditors

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

Sign.....

**Dr. Peter Mung'athia
VSDF Fund Manager.**

Date.....

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

9. STATEMENT OF MANagements RESPONSIBILITIES

The Management's Responsibilities are clearly articulated as per the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. He is the officer charged with the responsibility of administering the Fund with the following duties: -

- Supervise and control the administration of the fund.
- Consult with the Cabinet Secretary for the time being responsible for matters relating to Veterinary services as May from time be required.
- If he thinks fit, impose Conditions on the use of any Expenditure Authorized by him or on his behalf and may impose any responsible Prohibition, Restriction or other Requirement Concerning such use of Expenditure.
- Cause to be kept all proper Books of Accounts and other Books and Records relating to the Fund and to all the various Activities and undertakings Financed by the Fund.
- Prepare, sign and transmit to the Auditor-General, in respect of each Financial year and within four months after the fund in such form as the treasury may from time to time direct in accordance with section 18 (2) of the Act.

The steering committee accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The steering committee is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial period ended June 30, 2025, and of the Fund's financial position as at that date. The steering committee further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

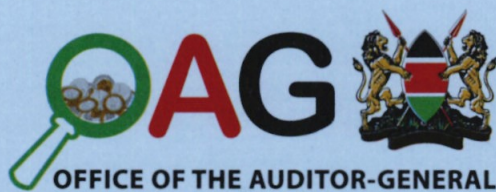
Approval of the financial statements

The Veterinary Services Development Fund (VSDF) financial statements were approved on

04/12/ 2025 and signed by:

Sign.....

Hon. Jonathan M. Mueke
Accounting Officer



Enhancing Accountability

**REPORT OF THE AUDITOR-GENERAL ON VETERINARY SERVICES
DEVELOPMENT FUND 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 Veterinary Services Development Fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance,

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

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Veterinary Services Development Fund 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 Veterinary Services Development Fund Legal Notice 109 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Cash and Cash Equivalent

The statement of financial position and Note 9 to the financial statements reflects cash and cash equivalents balance of Kshs.110,655,925 as disclosed in Note 9 to the financial statements. Review of related documents revealed the following anomalies;

1.1. Failure to Maintain E-citizen Revenue Cashbook

Review of bank statements provided revealed that during the year under review, the Fund received transfers in block figures from the National Treasury totaling Kshs.93,499,815 in its current account being revenue collected in the E-citizen platform. However, these funds were not supported in detail since the Fund failed to maintain a revenue cash book for recording individual revenue transactions collected through the E-Citizen platform. Further, E-citizen revenue reconciliations were not done and the Fund could not establish if there were any discrepancies between actual E-Citizen individual receipt transactions and receipt as per Pesaflo statement.

In the circumstances, the accuracy and completeness of cash and cash equivalent balance Kshs.110,576,821 could not be ascertained.

1.2. Undisclosed and Unaccounted for Bank Accounts

Review of expenditure records provided for audit including Authority to Incur Expenditure (A.I.Es) revealed that during the financial year under review, the Fund transferred A.I.Es totalling Kshs.6,870,000 to its respective eleven (11) regional bank accounts. However, the detailed cash and cash equivalent analysis in Note 9(b) only discloses eight bank accounts leaving three undisclosed bank accounts. Although Management explained that the other three (3) accounts receive funds from VSDF and Parent Ministry recurrent and development funds thus they cannot be recognized solely as VSDF accounts, no documentary evidence was provided to support this. In addition, no documents were provided in support of the VSDF balances held in these accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.110,655,925 could not be confirm.

2. Unconfirmed Inventory Balances

The statement of financial position and Note 11 to the financial statements reflects consumable stores balance of Kshs.22,735,347. However, Management did not provide annual stock take report to support the balance. Enquiry into the stock take exercise revealed that no stock take was conducted at the closure of financial year. Further, a stock take report for an exercise conducted as at 30 September, 2025 revealed that the store contained expired, unserviceable and obsolete items worth Kshs.6,686,938 whose date of purchase dated back to the financial year 2009/2010. It is unclear why these items have never been subjected to a disposal process.

In the circumstances, the accuracy and completeness of inventory balance of Kshs.22,814,451 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Services Development Fund 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

Budget and Budgetary Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.200,000,000 and Kshs.154,639,768 respectively resulting to an under-funding of Kshs.45,360,232 or 23 % of the budget. Similarly, the Fund had planned expenditure budget of Kshs.200,000,000 against an actual expenditure of Kshs.177,979,984 resulting to an under-expenditure of Kshs.22,020,016 or 11 %.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on delivery of goods and services 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 Information

The Management is responsible for the Other Information set out on page i to xiv which comprise of Key Entity Information and Management, The Steering Committee

Members, Management Team, Chairman's Statement, Statement of Veterinary Services Development Fund Performance Against Predetermined Objectives, Achievement within the Year, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Administrator. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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, 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

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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Financial Policies and Procedures Manual

The Fund lacks financial policies and procedures manual to guide financial systems, roles, and responsibilities. As a result, there is no formal framework to support effective financial management, ensure compliance with generally accepted accounting principles, safeguard assets, promote accuracy and transparency, or provide a benchmark against which internal audit can assess compliance and the effectiveness of internal controls

In the circumstances, effectiveness of the systems of internal control could not be confirmed.

2. Weak Internal Controls in Transport Department

Review of work tickets provided for audit revealed that some were neither closed nor checked since there were no details filled on summary of work ticket section where one is required to indicate total distance covered, fuel drawn and checked by head of Transport section. In the absence of the above procedure, authenticity of actual fuel consumed during the year under review could not be confirmed.

In the circumstances, effectiveness of the systems of internal control could not be confirmed.

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 those Charged with Governance.

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

11 December, 2025

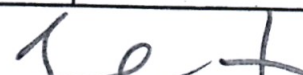
Veterinary Services Development Fund
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For the period ended June 30, 2025.

11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Rendering of services	4	154,639,768	143,661,269
Other income			
Total revenue		154,639,768	143,661,269
Expenses			
Opening Inventory			
Use of goods and services	5	140,362,941	145,807,685
Employee costs	6		
Depreciation and amortization expense	12	5,126,112	4,157,332
Repairs and maintenance	8	5,084,003	6,501,780
Closing Inventory			
Total expenses		150,573,056	156,466,798
Other gains/(losses)			
Impairment loss			
Surplus before tax		4,066,712	(12,805,529)
Taxation			-
Surplus/(deficit) for the period/year		4,066,712	(12,805,529)
Remission to National Treasury			-
Net Surplus for the year		4,066,712	(12,805,529)

Sign: 

Sign: 

Sign: 

CPA Daniel Karani
 SDAG
 ICPAK NO 3965

Dr. Peter Mung'athia
 Fund Manager

Hon. Jonathan M. Mueke
 Accounting Officer

Date: 04/12/2025

Date: 4/12/2025

Date: 04/12/2025

Veterinary Services Development Fund
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12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025


	Notes	AUDITED	
		2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	9	110,655,925	141,175,695
Receivables from non-exchange transactions	10	-	-
Inventories	11	22,735,347	15,555,793
Total Current Assets		133,391,272	156,731,487
Non-Current Assets			
Property, plant and equipment	12	55,751,682	28,344,754
Total Non- Current Assets		55,751,682	28,344,754
Total Assets		189,142,953	185,076,241
Liabilities			
Current Liabilities			
Trade and other payables			
Total Current Liabilities			
Non-Current Liabilities			
Total Non- Current Liabilities			
Total Liabilities			
Net assets			
Reserves			
Accumulated surplus		189,122,953	185,056,241
Capital Fund		20,000	20,000
Total Net Assets		189,142,953	185,076,241
Total Net Assets and Liabilities		189,142,953	185,076,241

Sign: 

CPA Daniel Karani

SDAG
ICPAK NO 8965

Date: 04/12/2025

Sign: 

Dr. Peter Mungathia

Fund Manager

Date: 4/12/2025

Sign: 

Hon. Jonathan M. Mueke

Accounting Officer

Date: 04/12/2025

**Veterinary Services Development Fund
Annual Reports and Financial Statements
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13. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2025


	note s	Ordinary share capital	Retained earnings	Accumul ated reserves	Propose d dividend s	Capital/ Developmen t Grants/Fund	Total
As at July 1, 2023		-	197,861,770			20,000	197,881,770
Surplus/ Deficit for the year		-	(12,805,529)				(12,805,529)
As at June 30, 2024		-	185,056,241	-	-	20,000	185,076,241
As at July 1, 2024		-	185,056,241	-	-	20,000	185,076,241
Surplus/ deficit for the period		-	4,066,712				4,066,712
As at 30 June, 2025		-	189,122,953	-	-	20,000	189,142,953


**Veterinary Services Development Fund
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14. STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2025

		2024-2025	2023-2024
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		-	-
Rendering of services	4	154,639,768	143,661,269
Total Receipts		154,639,768	143,661,269
Payments			
Use of goods and services	5	140,362,941	145,807,685
Employee costs	6	-	
Repairs and maintenance	8	5,084,003	6,501,780
Total Payments		145,446,944	152,309,466
Decrease/(Increase) in Accounts receivables		-	781,144
Decrease/(Increase) in Inventory		(7,179,554)	(6,272,813)
Net cash flows from/(used in)operating activities	13	2,013,270	(14,139,865)
Cash flows from investing activities			
Purchase of property, plant, equipment and other Assets	12	32,533,040	9,354,105
Sale of investments			
Net cash flows from/(used in) investing activities		(32,533,040)	(9,354,105)
Cash flows from financing activities			
Increase in capital funds		-	-
Net cash flows from /(used in) financing activities		-	-
Net increase/(decrease)in cash and cash equivalents		(30,519,770)	(23,493,970)
Cash and cash equivalents at 1 JULY 2024	9	141,175,695	164,669,665
Cash and cash equivalents at 30 JUNE 2025	9	110,655,925	141,175,695

Sign: 
 CPA Daniel Karani
 SDAG
 ICPAK NO. 2965

Sign: 
 Dr. Peter Mungathia
 Fund Manager

Sign: 
 Hon. Jonathan M. Mueke
 Accounting Officer

Date: 04/12/2025

Date: 4/12/2025

Date: 04/12/2025

**Veterinary Services Development Fund
Annual Reports and Financial Statements
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15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Animal Reproductive Services	20,000,000	-	20,000,000	9,621,666	10,378,334	0.48
Veterinary Public Health	90,000,000	-	90,000,000	114,764,173	(24,764,173)	1.28
Hides and Skins	2,000,000	-	2,000,000	897,635	1,102,365	0.45
Disease surveillance, Risk mgmt controls	48,000,000	-	48,000,000	19,767,463	28,232,537	0.41
Diagnostic Services	10,000,000	-	10,000,000	2,799,387	7,200,613	0.28
Veterinary diagnostic & Efficacy Trial centres	10,000,000	-	10,000,000	6,789,444	3,210,556	0.68
Total income	200,000,000		200,000,000	154,639,768	45,360,232	0.77
Expenses						
Use of Goods and Services	155,890,000	-	155,890,000	140,362,941	15,527,059	0.90
Employee Costs	-	-	-	-	-	-
Repair and Maintenance	9,600,000	-	9,600,000	5,084,003	4,515,997	0.53
Purchase of office furniture and equipment	34,510,000	-	34,510,000	32,533,040	1,976,960	0.94
Depreciation and Amortisation						
Total expenditure	200,000,000		200,000,000	177,979,984	22,020,016	0.89
Surplus for the period						

**Veterinary Services Development Fund
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Budget notes

1. REVENUE

The explanation of material variance in revenue collection by the Directorate of Veterinary Services (DVS) is as follows: -

- The services offered by the Directorate of Veterinary Services are on demand and therefore the projections provided are only estimates based on the previous performance. This therefore makes it difficult to estimate the services to be offered and revenue generated.
- The Directorate increased the surveillance and monitoring of revenue collection at the point of collection. This was through frequent visits and provision to officers with requisite materials (stationeries, computers) for proper record keeping.
- Sensitization of the staff on prompt revenue collection and surrender

16. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Veterinary Services Development Fund is established by and derives its authority and accountability from the Legal Notice No. 109 of the Exchequer and audit Act Cap. 412. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to prevention and control of animal diseases and pests to safeguard human health.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. 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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies

- a) Revenue recognition
- i) Revenue from non-exchange transactions

Fees.

The entity 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.

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.

b) Budget information

The original budget for FY 2024-2025 was approved by the National Assembly.

The entity'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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies (Continued)**

c) 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.

d) 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 conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 Entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

f) Accounting policy.

The Entity uses Reducing Balance Method of depreciation with the following depreciation rates for various Assets.

Motor Vehicles	25%
Furniture and Fittings	12.5%
Computers	30%
Plant and Equipment	12.5%

g) Related parties

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

h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank of Kenya 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.

i) Comparative figures

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

**Veterinary Services Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) 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 30 June, 2025.

4. Revenue from Rendering of Services

Description	2024-2025	2023-2024
	KShs	KShs
Animal Reproductive Services	9,621,666	11,930,364
Veterinary Public Health	114,764,173	90,789,452
Hides and Skins	897,635	1,115,968
Disease surveillance, Risk mgt controls	19,767,463	31,755,526
Diagnostic Services	2,799,387	1,904,102
Veterinary diagnostic & Efficacy Trial centres	2,507,114	1,616,137
Other income- Farm produce	565,705	1,396,294
Other income - Sale of milk	1,328,825	670,625
Other income – Rent	2,387,800	2,482,801
Total revenue from the rendering of services	154,639,768	143,661,269

5. Use of Goods and Services

Description	2024-2025	2023-2024
	KShs	KShs
Domestic travel expenses	34,740,683	34,237,460
Foreign travel expenses	11,860,805	9,463,411
Advertising and printing	1,832,892	2,748,240
Hospitality Supplies	4,768,651	21,927,936
Fuel and oil	14,152,423	11,077,860
Office and General Supplies	3,674,521	3,509,274
Other operating expenses	579,900	1,913,822
Subscriptions	649,500	-
Utilities supplies	683,625	-
Bank Charges	10,705	14,817
Telecommunication	4,894,590	3,584,500
Training	33,193,183	28,377,589
Specialized materials	29,321,463	28,952,776
Total Use of Goods and Services	140,362,941	145,807,685

**Veterinary Services Development Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Employee Costs

	2024-2025	2023-2024
	KShs	KShs
Salaries and wages		
Travel, motor car, accommodation, subsistence, and other allowances	-	-
Other employee related costs *		
Employee costs	-	-

7. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant and equipment	5,126,112	4,157,332
Intangible assets		
Adjustment depreciation		
Total depreciation and amortization	5,126,112	4,157,332

8. Repairs and Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property	500,950	173,330
Investment property – earning rentals		
Equipment and machinery		
Vehicles	3,341,021	4,812,482
Furniture and fittings		
Computers and accessories		
Others	1,242,032	1,515,968
Total repairs and maintenance	5,084,003	6,501,780

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. (a) Cash and Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current account	110,576,821	141,175,695
VSDF Kericho account	71,444	
SVO Nyeri account	5,149	
VSDF Ukunda Vil account	-	
VSDF DVO Witu account	-	
Provincial VSDF Garissa account	-	
Farm manager Maseno VSDF account	2,511	
Uasin Gishu (Eldoret) VSDF account	-	
OIC VIL Mariakani account	-	
Savings account		
Others (specify)		
Total cash and cash equivalents	110,655,925	141,175,695

(b) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2024-2025	2023-2024
		KShs	KShs
a) Current account			
Kenya Commercial bank	1106972791	110,576,821	141,175,695
VSDF Kericho account	1103613413	71,444	
SVO Nyeri account	1117339270	5,149	
VSDF Ukunda Vil account	1108643310	-	
VSDF DVO Witu account	1104808676	-	
Provincial VSDF Garissa account	1107834139	-	
Farm manager Maseno VSDF account	1104039281	2,511	
Uasin Gishu (Eldoret) VSDF account	1102544345	-	
OIC VIL Mariakani account	1107828627	-	
Sub- total			
Sub- total			
b) Others(specify)		-	
Cash in transit			
cash in hand			
Mobile money accounts			
Sub- total		110,655,925	141,175,695
Grand total		110,655,925	141,175,695

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

10 . Receivables from Non-Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Advances/ Unsurrendered Imprests	-	-
Less: impairment allowance		
Total current receivables	-	-

11. Inventories

Description	2024-2025	2023-2024
	KShs	KShs
Consumable stores	22,735,347	15,555,793
Less: Allowance for impairment		
Total inventories at the lower of cost and net realizable value	22,735,347	15,555,793

Veterinary Services Development Fund
Annual Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Property, Plant and Equipment

	Motor vehicles (25%)	Furniture and fittings (12.5%)	Computers (30%)	Plant and Equipment(12.5%)	Total
Cost	Shs	Shs	Shs	Shs	Shs
As at 1st July 2023	51,602,160	7,474,083	23,410,843	85,174,325	167,661,411
Additions	-	-	6,236,635	3,117,470	9,354,105
Disposals	-	-	-	-	-
As at 30th June 2024	51,602,160	7,474,083	29,647,478	88,291,795	177,015,516
Additions	27,956,000	1,176,000	2,048,290	1,352,750	32,533,040
Disposals	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-
As at 30th June 2025	79,558,160	8,650,083	31,695,768	89,644,545	209,548,556
Depreciation and impairment					
At 1st July 2023	49,441,285	4,514,625	20,662,606	69,894,914	144,513,430
Depreciation	540,219	369,932	1,247,020	2,000,161	4,157,332
Transfers/ Adjustments	-	-	-	-	-
As at 30th June 2024	49,981,504	4,884,557	21,909,626	71,895,075	148,670,762
Depreciation	405,164	323,691	2,329,206	2,068,051	5,126,112
Disposals	-	-	-	-	-
Adjustments Depreciation	-	-	-	-	-
As at 30th June 2025	50,386,668	5,208,248	24,238,832	73,963,126	153,796,874
Net book values					
As at 30th June 2025	29,171,492	3,441,835	7,456,936	15,681,419	55,751,682
As at 30th June 2024	1,620,656	2,589,526	7,737,852	16,396,720	28,344,754

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Cash Generated from Operations

	2024-2025	2023-2024
	KShs	KShs
Surplus for the year before tax	4,066,712	(12,805,529)
Adjusted for:		
Depreciation	5,126,112	4,157,332
Adjustments depreciation		-
Non-cash grants received		
Working Capital adjustments		
Increase in inventory	(7,179,554)	(6,272,813)
Increase in receivables		781,144
Increase in payables		
Increase in payments received in advance		
Net cash flow from operating activities	2,013,271	(14,139,865)

14. Reserves

Description	2024-2025	2023-2024
	KShs	KShs
Accumulated Surplus	185,056,241	197,881,770
Surplus for the Year	4,066,712	(12,805,529)
Totals	189,122,953	185,056,241

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. 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'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, taking into account 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.

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.

iii) Market risk

The entity 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern.

16. Related Party Disclosures

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 the Veterinary Services Development Fund.

Other related parties include:

- i) Ministry of Agriculture and Livestock Development.

17. 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. During the year the fund didn't remit anything into the consolidated fund.

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

The entity is a Semi- Autonomous Government Agency under the Ministry of Agriculture and Livestock Development. Its ultimate parent is the Government of Kenya.

20. Currency

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

**Veterinary Services Development Fund
Annual Reports and Financial Statements
For the period ended June 30, 2025.**

APPENDIX

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
VSDF/Audit 2019/2020	Lack of fixed Assets Register	The management is in process of compiling the Assets register	Accountant	Resolved
VSDF/Audit 2019/2020	Internal control and governance issues	The management has allocated funds to solve part of issue reported while other issues will be sorted later by relevant authority	DVS	Resolved
VSDF/Audit 2019/2020	Systems access rights and Joint inspections in border posts and production of inspection reports in the border posts which are not comprehensive due to lack of system access.	Kenya Trade Network Agency is yet to provide the cargo release module which will ease of doing business.	DVS	Not Resolved
VSDF/Audit 2019/2020	Understaffing in the border posts.	Directorate of Veterinary Services through the office of Principal Secretary- SDL has so far recruited staffs and posted to various border posts on priority basis.	DVS	Resolved
VSDF/Audit 2019/2020	Lack of equipment/worki ng tools.	An AIE has been issued to the stations which they will use to acquire some equipment and tools. The	Fund Manager	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		fund has also procured some motor bikes which have been distributed to these stations.		
VSDF/Audit 2019/2020	No Elaborate Enterprise wide Risk Management (ERM) in place	The management is in consultation on the way forward.	Fund Manager	Resolved
VSDF/Audit 2019/2020	Lack of internal Audit Function	The fund it utilizes the services of internal audit function at the State Department of Livestock office.	Fund Manager	Resolved
VSDF/Audit 2019/2020	Systems access rights and Joint inspections	Kentrade is yet to provide the cargo release module for use at the border post. When this module is availed, the activities at the headquarters and border post will be linked and therefore the officers will have access to the system	DVS	Not Resolved
VSDF/Audit 2018/2019	Border posts underfunding/Budget cuts/Lack of Equipment and tools.	An AIE has been allocated to the stations to boost their funding and acquisition of some tools and equipments. Also the fund has some motor bikes for ease of movement.	DVS	Resolved

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Guidance Notes:

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

Sign.....



**Dr. Peter Mung'athia
Fund Manager.**

Date.....

4/12/2025