

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA PLANT HEALTH INSPECTORATE
SERVICE**

**FOR THE YEAR ENDED
30 JUNE, 2021**

| | |
|-----------------------|----------------|
| THE NATIONAL ASSEMBLY | |
| P. 16 NOV 2022 | |
| DAY: Wednesday | |
| TABLED BY: | Lcm |
| CLERK AT THE TABLE: | Mainah Wanjiku |

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

04 JUL 2022

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KENYA PLANT HEALTH INSPECTORATE SERVICE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Plant Health Inspectorate Service (KEPHIS) was established in 1996 through Legal Notice No. 305 until the enactment of Kenya Plant Health Inspectorate Service Bill, 2011 in December 2012. KEPHIS responsibility is to assure the quality of agricultural inputs and produce to prevent adverse impact on the economy, the environment and human health. The organization is domiciled in Kenya and has branches in Mombasa, Nakuru, Kitale, Embu, Kisumu and Naivasha with the Headquarters in Karen, Nairobi.

(b) Principal Activities

Vision:

Healthy plants, safe trade and sustainable aggro-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.

Core values

- Customer focus
- Professionalism and Integrity
- Teamwork
- Results oriented
- Innovation and Creativity
- Corporate social sustainability

The principal mandate of KEPHIS is to:

- a) Regulate matters relating to plant protection, seeds and plant varieties
- b) Administer and enforce sanitary and phytosanitary measures
- c) Support the administration and enforcement of food safety measures
- d) Establish service laboratories to monitor the quality and levels of toxic residues in agro-inputs, irrigation water, plants, soils and produce
- e) Be the principal advisor to the Government on issues relating to seeds and planting material
- f) Implement plant variety protection in Kenya, administer plant breeders' rights and maintain the Plant Breeders' Rights Register
- g) Undertake plant variety testing and description, seed certification and plant quarantine control
- h) Undertake inspection and grading of plants and plant produce at the ports of entry and exit

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- i) In consultation with other relevant agencies, develop and implement standards for seed and plant materials
- j) Implement and enforce national bio-safety regulations on the introduction and use of genetically or living modified species of plants, insects and micro-organisms, plant products and other related species
- k) Regulate import and export of plants and plant materials
- l) In consultation with other relevant agencies, regulate the commercial exploitation of naturally occurring plants and plant-related micro-organisms.
- m) Register and license seed merchants, seed growers, agents and any other person who may be required to be registered under the provisions of this Act or any of the laws specified in the First Schedule
- n) Enter into association with such other bodies or organizations or authorized persons as the Board may consider desirable or appropriate in furtherance of the purposes for which the Service is established
- o) Be the liaison office for international conventions relating to plant variety protection, plant protection, seed certification and dealing with endangered species or any other related conventions.

(c) Key Management

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

1. Board of Directors
2. Managing Director
3. General Managers

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|--|---------------------------|
| 1. | Managing Director | Prof. Theophilus M. Mutui |
| | General Manager Quality Assurance (Ag. Managing Director up to 10,December 2020) | Mr. Simeon Kibet Kogo |
| 2. | Ag. General Manager - Finance & Administration | Mr. Bartonjo Cheptarus |
| 3. | General Manager - Phytosanitary Services | Dr. Isaac Macharia |
| 4. | Ag. General Manager Quality Assurance (up to 10, December 2020) | Mr. Simon Maina |

(e) Fiduciary Oversight Arrangements

The Corporation has the following fiduciary oversight structures:

- Non-executive Chairman of the Board
- Board of Directors comprising independent non-executive directors

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- Technical Committee
- Finance Committee
- Human Resource and Administration Committee
- Audit, Risk & Governance Committee

(f) KEPHIS Headquarters

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

(g) KEPHIS Contacts

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

(h) Corporation Bankers

1. Kenya Commercial Bank Ltd
P.O Box 7206 00100
NAIROBI
2. NCBA Bank
P. O Box 30437 00100
NAIROBI
3. National Bank Of Kenya
P.O. Box 72866 00200
NAIOROBI

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

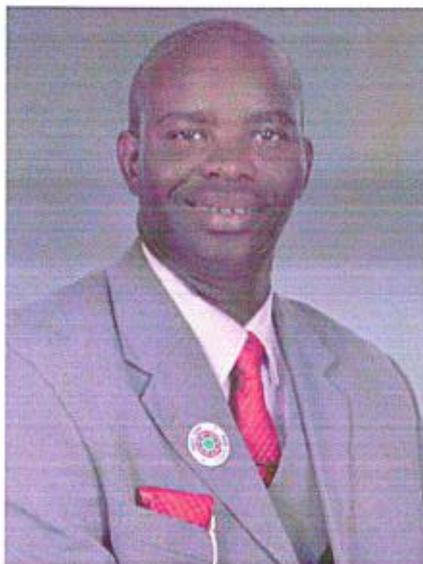
Mr. Robin Manono Achoki - Chairman



Appointed on 15th May 2019.

Mr. Achoki has over 20 years' experience in public finance having served in the Ministry of Finance and Planning and the Ministry of Planning and National Development. In the Ministries he served as the Head of Economic Unit of Budgetary and Supply Department. He has also served as a member of the Presidential Taskforce on the Coffee Subsector Reforms; as Secretary to the Panel of Experts on the Review of Performance Contracting in the Public Sector; as Alternate Director to the Permanent Secretary/Treasury in the Board of Directors of National Council for Science and Technology and as Alternate Director to the Permanent Secretary/Treasury in the Board of Director of Kenya Marine and Fisheries Research Institute. Presently he serves as a member of the Kisii University Council. Mr. Achoki holds a post graduate diploma in integrated rural regional development planning from Development study center, Rehovot, Israel, Bachelor of Philosophy in Economics from University of Nairobi and Bachelors of Arts, Honours in Economics from Panjab University, India. He has also undertaken courses in Planning and budgeting among them, Country focused Training in project planning and management for AICAD and JICA in Kyoto University, Hitotsubashi University and other related institutions, Public Budgeting and Fiscal management in Georgia State University, Andrew Young School of Policy Studies, Atlanta, USA and International Course for Budget Officer in Gasgow Caledonian University, Scotland. In addition, he attended a workshop on Budgeting and Financial Management in the Public Sector in Harvard Institute for International Development.

Prof. Theophilus M. Mutui - Managing Director



Appointed on 11th December 2020

Prof. Theophilus M. Mutui has over 24 years of experience, having previously worked at the National Biosafety Authority (NBA) as the Acting Director, Technical Services. He holds a PhD in Horticultural Sciences from Leibniz University of Hannover, Germany. He did his post doctorate studies at University of Georgia, USA and United States Department of Agriculture (USDA) in Maryland under a fellowship from International Atomic Energy Agency (IAEA). At NBA, he was involved in establishing networks and partnerships with government entities, the private sector and development partners that were favourable to the Authority.

Prof. Mutui was formerly Country Coordinator for Better Training for Safer Food (BTSF) programme for DG-SANCO for the European Union (EU) and a member of the National Food

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Safety Coordinating Committee. He has many years of experience in research, consultancy and teaching. He is a member in good standing of many local and international professional societies such as the International Society for Biosafety Research (ISBR), International Society of Horticultural Sciences (ISHS), Horticultural Association of Kenya (HAK) and a member of Kenya DAAD Scholars Association (KDSA).

Mr. Julius Mutua – Member (Rep. PS National Treasury and Planning)

Appointed on 16th May 2017.



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 Dares 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. Moses Merkalei Atuko – Member

Appointed on 6th June, 2018



Mr. Atuko is currently a consultant with United Nations. Previously, he worked as County Executive for Health Services and Environment-Mining-Energy, both for Baringo County Government; Country Director for MENTOR Initiative, Kenya; Regional Manager for Kenya Red Cross, North Rift; Deputy Country Director for MENTOR Initiative, Liberia; Emergency Health Manager for Kenya Red Cross, Nairobi; Project Officer with Aga Khan Foundation, Mombasa; and has been a Public Health Consultant for over 6 years. He is a graduate of Public Health, Moi University, 2004.

Ms. Lucky J. Litole – Member



Appointed on 6th June, 2018

Ms. Litole is currently coordinating a woman and youth empowerment programme in West Pokot with Konrad Adenuor Foundation. She was previously with Kenya Utalii College till 2016 when she left to join the Konrad Adenuor Foundation. She is a holder of a Bachelor of Business Administration (Procurement and Supply Chain Management Option) and is currently pursuing a Master's Degree in Logistics and Procurement Management. She also holds certificates in Food and Beverages, Business Management, and Customer Service.

Dr. Rose Njeru – Member



Appointed on 6th June, 2018

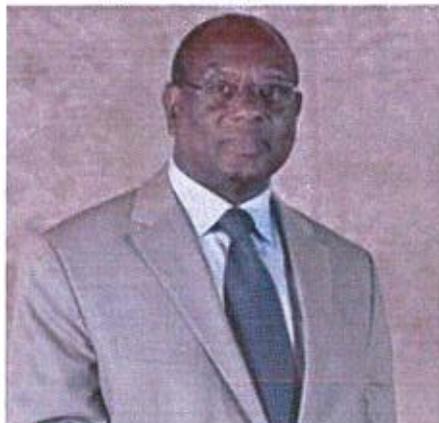
Dr. Njeru holds a Doctorate degree in Plant Sciences from Murdoch University, Australia and a Master's degree in Plant Pathology from The University of Nairobi. Dr. Njeru has a wide experience in the field of plant health having served as a senior lecturer at the Faculty of Agriculture, University of 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 serves the KEPHIS Board, as a member of the Technical Committee.

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Mr. Mugambi Angaine – Member



Appointed on 3rd May, 2019

Mr. 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. 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.

Mrs. Marstella Bahati Kahindi – Member



Appointed on 4th May, 2020.

Marstella Bahati Kahindi is a Masters holder in Business Administration with a specialization in Strategic Management. She also holds a Bachelors Degree in Arts second class upper Division. Both degrees from University of Nairobi.

She is a seasoned banker with over 35 years of experience having worked majorly at Kenya Commercial Bank and Absa Bank formerly Barclays Bank of Kenya. She is a certified Retail Banker one. She worked shortly at K-rep Bank now Sidian Bank and Agriculture Finance Cooperation. She prides herself in being responsible strategic, futuristic, arranger and relator, strengths built over the years.

Previously She was appointed to sit in the Board of Kenya Industrial Estates as a Non –Executive Director.

Marstella Bahati is a community leader organizing and mobilizing Coastal farmers around a cooperative to train, support and do farming right, for better yields, value add and get markets for the produce for improved lives of the farmers.

Dr Stephen K. Maore, PhD – Member



Appointed on 4th May, 2020.

Dr Stephen Maore is an expert in Strategy, Marketing and Brand Management with over 16 years' experience in teaching, consultancy and practice in this area. Dr Maore is currently the Director, University Advancement and Marketing at Kenya Methodist University (KEMU). He has served as a senior lecturer and Lecturer of International Business, Marketing and Brand Management at KeMU since 2006. He is a qualified trainer approved by the International Finance Corporation (IFC) as a Trainer of Trainers. Dr Maore has handled various assignments in the area of strategic Planning, Marketing Planning, Branding strategy development, Customer care, Customer Service Charter Development, Corporate Communication, and Market Research among others. He has been a lead assessor in the Company of the Year Awards program (COYA) focusing on Leadership and Management, Customer Orientation and Marketing, and corporate citizenship and Environmental Management. In Addition, Dr Maore served as the Chairman, Board of Directors at Meru County Investment and Development Corporation (MCIDC) from 2015 to 2018, and currently serving as a Member, Board of Directors at Kenya Plant Health Inspectorate Services (KEPHIS) and a member of the Technical Committee on Horticultural Fresh produce standards at Kenya Bureau of Standards (KEBS). Academically, Dr Maore holds a PhD in Business Administration, a Masters in Business Administration and a Bachelor of Education in Mathematics and Business Studies. Finally, he is an active member of the Marketing Society of Kenya (MSK), Kenya Institute of Management (KIM) and International Society for Leadership and Management (ISLM).

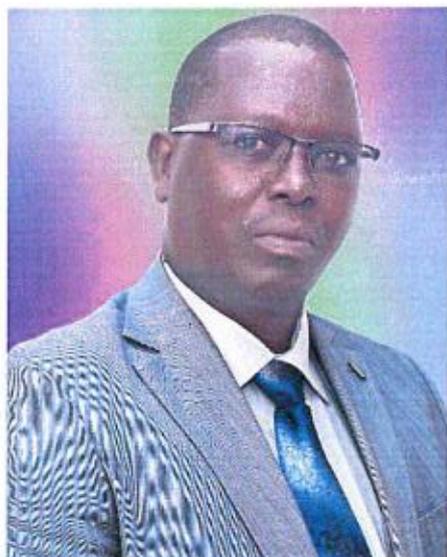
Mr. Ronald J. Abonyo - Member



Appointed on 4th May, 2020.

Mr. Ronald J. Abonyo is a holder of Bachelor of Commerce (Finance Option). He has vast experience having been previously with Goldman Group of Companies as the Chief Executive Officer, Business Development Manager, Head of OTC Market at Dyer and Blair Limited, Operation Manager and the Head of Customer Care before joining Kenya Plant Health Inspectorate Service.

David K. Mwangi – Member



Appointed on 3rd May, 2019

Mr. David K. Mwangi Mr. David K. Mwangi is the Alternate Director to the Principal Secretary, State Department for Crops Development in the Ministry of Agriculture, Livestock and Fisheries. He is an experienced civil servant with 26 years experience in the agriculture sector. He has worked in various places and capacities in the Ministry and is currently the Head of the Plant Protection Services Division. He coordinates the management of transboundary and emerging pests and diseases in the country and is the chair of the Multi- Agency team on Fall Armyworm and other invasive pest species. He represents the country, as an Executive Committee member, in two UN affiliated regional organizations that deal with management and control of transboundary pests; Desert Locust Control

Organization of Eastern Africa (DLCO-EA) and International Red Locust control Organization of central and Southern Africa (IRLCO-CSA). Mr. Mwangi holds an Msc. in Agricultural Resources Management from the University of Nairobi and a Bsc. in Horticulture from Egerton University. In the KEPHIS board he is a member of the Technical and Audit Committees.

Ms. Ivy Waithera Mburu - Ag. Corporation Secretary & Head Legal Affairs



Ms. Mburu joined KEPHIS in 2018 and holds a Bachelor of Laws LL.B (Hons.) from the Catholic University of Eastern Africa and a Post Graduate Diploma in Law from the Kenya School of Law. She is also an Advocate of the High Court of Kenya, Commissioner of Oaths and a Notary Public.

Presently she is the Ag. Corporation Secretary and oversees the Legal Affairs Department which undertakes the Contracts & Legal Instruments, Litigation & Disputes, Ethics, Integrity and Anti Corruption Issues and Legal Review of the Statues being implemented by of the Organisation.

MANAGEMENT TEAM

Prof. Theophilus M. Mutui – Managing Director

Profile on page 9 above

Mr. Bartonjo Cheptarus- Ag. General Manager, Finance & Administration

As from 18th March, 2020



Mr. Bartonjo joined KEPHIS in the year 2002, 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).

Dr. Isaac Macharia – General Manager, Phytosanitary Services



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

has led to significant growth of the institution and has enabled the industry to access and retain foreign markets.

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, General Manager-Quality Assurance and served as the Ag. Managing Director until December 2020.

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.

CHAIRMAN'S STATEMENT

During the period under review, KEPHIS was able to implement its mandate amid the challenges of Covid-19 that emerged from early 2019. Through various strategies including implementation of the government's MOH guidelines, activities continued with satisfactory results being achieved.

KEPHIS core mandate areas include facilitation of trade in plant and plant products, plant bio-security and assurance of quality of agro-inputs. KEPHIS continued to support Kenya's agricultural sector in terms of maintaining the traditional global markets as well as conception of new markets. In the year under review, the Corporation participated in the negotiations for the African Continental Free Trade area (ACFTA), the US Free Trade Area and concluded requirements for exports to China for locally produced Avocado. The initiatives are expected to open up more opportunities for trade for local smallholder farmers and traders. During the period, the United Nations declared the International Year for Plant Health 2020. This was launched in Kenya during the year and KEPHIS will played a pivotal role in its celebration and spearheaded the awareness on how protecting plant health can help end hunger, reduce poverty, protect the environment, and boost economic development.

In terms of financial sustainability, the corporation achieved growth in internally generated revenue from KShs. 1.079 Billion in 2019/20 to KShs. 1.182 Billion in 2020/21. External funding from GOK and Development Partners decreased from KShs. 459 Million to KShs. 313 Million. Overall funding is still inadequate hence need for increased and continued support from GOK and Development Partners. During the period key development partners' support were USAID (FOODSCAP Project) and COMESA (RIIP Project). It is therefore noteworthy that further investments are required to provide for adequate facilities and equipment.

KEPHIS will continue to deliver on its commitment to the Kenya public as provided in the mandate.



Mr. Moses Merkalei Atuko

**CHAIRMAN BOD AUDIT RISK AND GOVERNANCE COMMITTEE,
KENYA PLANT HEALTH INSPECTORATE SERVICE (KEPHIS)**

REPORT OF THE CHIEF EXECUTIVE OFFICER

The period under review concluded with the whole world undergoing challenges as a result of the Covid-19 pandemic. This had impact on the operations of KEPHIS as well as the entire agricultural sector. Despite the set-backs, the pandemic provided opportunity for the corporation through adoption to the new business environment. The corporation continues to strive to take advantage and implement the available opportunities.

KEPHIS undertook initiatives to strengthen its legal and regulatory framework. The corporation initiated the review of Plant Protection Act CAP 324 and development of Plant Protection regulations. The bill and regulations were subjected to stakeholders' consultations and the bill was validated at the national level. In addition, the corporation made progress in the development of the National Phytosanitary Policy. The corporation has also progressed the development of the Plant Breeders Rights regulations and developed the Forestry Seed regulations.

KEPHIS has been able to participate in bilateral and multilateral negotiations with trading partners in order to ensure market access for our fresh produce, plants and plant products. In the past period, the corporation with other stakeholders secured a new market for Avocados to China, fresh produce to South Korea and continued market access to the European Union. Kenya was also granted market access for dianthus to the USA following successful completion of the Pest Risk Analysis. Currently bilateral negotiations are on-going for the USA-Kenya Trade Agreement for which KEPHIS is actively involved. The African Continental Free Trade Area (AfCFTA) was ratified in 2018 and this is expected to boost Intra-African Trade hence opening more markets for Kenya's fresh produce.

In the period under review, KEPHIS successfully underwent the European Union's Directorate of Health and Food Safety audit. The audit was aimed at ensuring that EU legislation plant health is properly implemented and enforced to ensure Phytosanitary compliance. The EU commission audit team acknowledged the efforts that KEPHIS have put in to assure compliance since the last audit in 2017. Nevertheless, the team identified certain deficiencies in respect of the standards being applied and gave recommendations that need to be addressed by KEPHIS. KEPHIS is in the process of addressing these recommendations.

The corporation undertook seed certification and plant variety protection activities leading to 54 new seed varieties being recommended for release and availed to farmers. The varieties included maize, Irish potatoes, Pigeon pea, Bush bean, Finger millet, Sorghum, Range grasses, Rhodes grass, Bracharia, Forage millet, Forage sorghum, Bt. Cotton, conventional Cotton, Canola, Rice, French bean, Buffel, Urochloa, Bushryne grass and Horse tail grass. The novel crop varieties are expected to support the Big Four agenda on Food and nutrition security as well contributing to the manufacturing and livestock sector through improved industrial, pasture and fodder crops. The corporation has also facilitated the availability to farmers of the virus free yellow fleshed sweet potato vines through multiplication at the Plant Quarantine Station.

In terms of quality assurance of agro-inputs and produce, KEPHIS gave support to farmers and fresh produce exporters by analyzing 484 fertilizer and 2,555 food safety samples. The latter included samples from Pesticide residue, Heavy metals, Mycotoxins, supermarkets and entry points. During the period, the corporation was able to expand the scope of monitoring as a result of additional support from the USAID FOODSCAP project. In order to ensure validity of results, the corporation has maintained the accreditation and re-accreditation of its labs to ISO/IEC 17025:2018. The accredited laboratories are the Analytical Chemistry at headquarters, Seed Quality lab at Nakuru and the Plant Health Laboratory at the Plant Quarantine and Bio-Security station (PQBS). Other established laboratories are the Seed and Analytical Chemistry laboratories at Kitale and the molecular laboratory at headquarters.

The corporation also ensured trade facilitation for import and export of plants and plants products by undertaking surveillance, inspection and border control activities. During the period, the corporation issued 59,662 Plant Import Permits (PIPs) and 421,281 Phytosanitary Certificates for compliant import and export consignments respectively.

Capacity building is paramount for KEPHIS for infrastructural development and an empowered skilled manpower. During the period, the corporation launched the Electronic Seed Certification and Plant Variety system with support from Trade Mark East Africa (TMEA). In addition, KEPHIS initiated the process of integrating the Electronic Certification System (ECS) and the Import Certification System (ICS) to support the ease of doing business for exporters and importers of fresh produce.

KEPHIS in collaboration with the University of Nairobi (UoN), Centre of African Biosciences International (CABI) and other partners jointly trained horticultural practitioners under the Centre of Phytosanitary Excellence (COPE) at both local and regional levels. In the period under review KEPHIS undertook various initiatives in various counties and trained a total of 833 county extension staff, farmers and practitioners from the African region in the areas of plant health, market requirements and seed certification. This is expected to enhance capacity at the devolved units, improve agricultural productivity levels for small holder farmers and improve expertise in the area of plant health in National Plant Protection Organizations (NPPOs) from other African countries.

Kenya is also signatory to various international conventions and treaties which KEPHIS implements. These include OECD Fruit and Vegetables Schemes, OECD Seed Schemes and OECD Forest Seed and Plant Scheme, the International Plant Protection Convention (IPPC), International Union for the Protection of new Varieties of Plant (UPOV), The World Trade Organization-Sanitary and Phytosanitary Agreement (WTO-SPS), CODEX Alimentarius commission, Common Market for Eastern and Southern Africa (COMESA) and East African Community (EAC) among others. In the period under review, KEPHIS participated in various

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regional and international standard setting and harmonization meetings to facilitate compliance to set standards. Outcome of these interactions is expected to enhance Kenya's presence in the global trading space thus providing markets for our local fresh produce producers.

KEPHIS continues to put in place measures to ensure sustained resource mobilization and management. The corporation has put in place policies that will assist optimization of resource use and allocation to ensure operational stability for the corporation. The corporation financed its budget through internally generated funds, the exchequer and development partners support. In the forthcoming period, Public-Private-Partnership will be enhanced in various aspects of our operations with the view of creating more business models for generation of the much needed resources.

In conclusion, I take this opportunity to sincerely thank the KEPHIS Board, management, staff and our stakeholders for the continued support during the year. KEPHIS is assured that together we shall attain the vision of **“Healthy plants, safe trade and sustainable agro-environment for a prosperous Kenya”**



**Prof. Theophilus M. Mutui
MANAGING DIRECTOR
KENYA PLANT HEALTH INSPECTORATE SERVICE (KEPHIS)**

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**STATEMENT OF KEPHIS PERFORMANCE AGAINST PREDETERMINED
OBJECTIVES FOR FY 2020/2021**

CORPORATE GOVERNANCE STATEMENT

The Kenya Plant Health Inspectorate Service (KEPHIS) is a state corporation established under the Kenya Plant Health Inspectorate Service Act, 2012 (Act) as a regulatory body whose responsibility is to assure the quality of agricultural inputs and produce to prevent adverse impact on the economy, the environment and human health. Its mission is 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.

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

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

During the 2020/2021 financial year, composition of the Board was as follows:

| | |
|----------|--|
| Chairman | - Mr. Robin Achoki. |
| Members | - Mr. Julius Mutua |
| | - Ms. Lucky Litole - (up to 4 th June, 2021) |
| | - Mr. Moses Atuko - (up to 4 th June, 2021) |
| | - Dr. Rose Njeru - (up to 4 th June, 2021) |
| | - Mr. Simeon K. Kibet - (up to 10 th December, 2020) |
| | - Mr. John Angaine |
| | - Mrs. Marstella Bahati Kahindi |
| | - Dr. Stephen Kirimi Maore |
| | - Mr. Ronald Juxton Abonyo |
| | - Prof. Theophilus M. Mutui - (From 11 th December, 2020) |

Board Committees

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

1. Technical Committee
2. Finance Committee
3. Human Resource and Administration Committee

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4. Audit, Risk and Governance Committee

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

During the 2020/2021 financial year, Board and Committee meetings held Forty (40) meetings as follows:

5. Technical Committee – Five (5) No.
6. Finance Committee – Six (6) No.
7. Human Resource and Administration Committee – Six (6) No.
8. Audit, Risk & Governance Committee - Six (6) No.
9. Ad-Hoc Committee – None (0) No.
10. Board – Sixteen (16) No.
11. Board Orientation for New Members – One (1) No.

Attendance to those meetings by members was as follows:

| Board Member | Technical Committee Meetings (6 No.) | Finance Committee Meetings (5 No.) | Human Resource & Administration Committee Meetings (5 No.) | Audit Committee Meetings (4No.) | Board Meetings (9 No.) | Ad-Hoc Committee | Total No. of Meetings Attended |
|--|--------------------------------------|------------------------------------|--|---------------------------------|------------------------|------------------|--------------------------------|
| Mr. Robin Achoki | 0 | 0 | 0 | 0 | 16 | 0 | 16 |
| Mr. Julius Mutua | 0 | 6 | 0 | 6 | 16 | 0 | 28 |
| Ms. Lucky Litole | 0 | 0 | 6 | 6 | 16 | 0 | 28 |
| Mr. Moses Atuko | 0 | 0 | 6 | 6 | 16 | 0 | 28 |
| Dr. Rose Njeru | 5 | 6 | 0 | 0 | 16 | 0 | 27 |
| Mr. John Angaine | 0 | 0 | 6 | 6 | 16 | 0 | 28 |
| Mrs. Marstella Bahati Kahindi (Appointed 4 th May 2020) | 6 | 6 | 0 | 0 | 16 | 0 | 28 |
| Dr. Stephen Kirimi Maore (Appointed 4 th May 2020) | 5 | 0 | 0 | 6 | 16 | 0 | 27 |
| Mr. Ronald Juxton Abonyo (Appointed 4 th May 2020) | 0 | 6 | 6 | 0 | 16 | 0 | 28 |

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| Board Member | Technical Committee Meetings (6 No.) | Finance Committee Meetings (5 No.) | Human Resource & Administration Committee Meetings (5 No.) | Audit Committee Meetings (4No.) | Board Meetings (9 No.) | Ad-Hoc Committee | Total No. of Meetings Attended |
|---------------------------|--------------------------------------|------------------------------------|--|---------------------------------|------------------------|------------------|--------------------------------|
| Simeon Kibet | 1 | 2 | 2 | 0 | 8 | 0 | 13 |
| Prof. Theophilus M. Mutui | 2 | 2 | 3 | 0 | 4 | 0 | 11 |

Succession Planning

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

Existence of a Board Charter

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

Induction and training

Induction training for Board members undertaken on 15th - 19th March, 2021.

Board and Member Performance

Evaluation of the Board Chairperson and individual Board Members was undertaken in July, 2020.

Declaration of Interest

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

Board Remuneration

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

Governance Audit

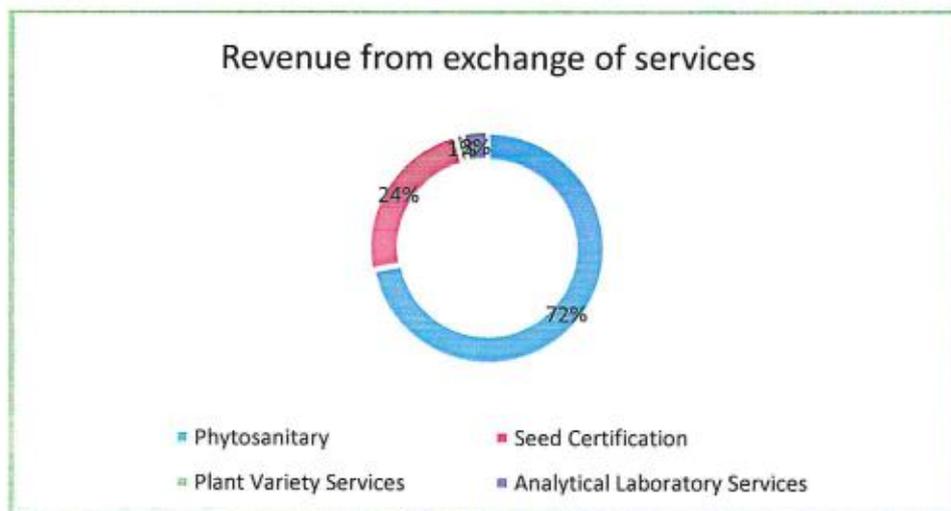
The Board has embarked on building in-house capacity in readiness for the 1st Governance Audits during the 2021/2022 financial year upon accreditation of Governance Auditors by the State Corporations Advisory Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generation

Revenue from service rendering grew in the year by 11% from KES 1.06B recorded in financial year 2019/20 to KES 1.18B in the financial year 2020/21. Phytosanitary services continue to be the leading revenue earner at 72% followed by seed certification services as shown in figure 1. Improved revenue from phytosanitary services was attributed to services rendered at the border points and JKIA.

Figure 1. Graphical representation of proportionate Revenue generation from rendering service



Mombasa Office registered a decline in revenue due to waived charges on tea coffee and herbs. Revenue dipped from KES 251M in financial year 2019/20 to 222M in financial year 2020/21 a decline of 13%. Figure 2 shows an illustration of the dip.

Figure 2. Graphical presentation of decline in revenue in Mombasa Office



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Revenue generated from seed certification services went up from KES 204M to KES 279M an increase by 36%. This was attributed to increase in seed production activities during the year.

Expenditure

With waived charges on tea, coffee and herbs, the organization expected the revenue to nose dive and employed cost contractionary measures on its spending. Employee emoluments reduced by 4% due to exit of staff and cessation of casual employment due to COVID 19 pandemic. Board expenditure also reduced by 12% due to some board meeting being held virtually. Expenditure on donor funded projects declined by 61% due to reduced funding as many countries suspended funding programs. One of the major project Foodscap by USAID ended. In total the expenditure declined by 9% from KES 1.53B to KES 1.39B.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate Social Sustainability (CSS) is one of the core values of the Corporation. Each year, KEHIS organizes a main CSS activity and also participates, contributes and takes part in several CSS activities of the Corporation or together with stakeholders. The activities are to impact mainly the youth, women and persons with disabilities. The main activities are also done on a rotational basis in the regions where KEPHIS has operations, i.e. Mombasa, Nakuru, Kitale, Embu and Nairobi. In the 2020/2021 financial year, the main activity was done in Kwale County, which is under the Mombasa Regional Office. As per the work plan, the Corporation was to have five (5) corporate activities. This target was achieved and exceeded as seven activities were undertaken summarized below as follows:

| No. | Title of Activity | County | Target | Nature of CSS |
|------------|--|---------------|-------------------------|---|
| 1. | Pwani Ufanisi Cooperative College | Kwale | Women and youth | Capacity building/training |
| 2. | Mtaa Primary School | Kwale | Pupils | Repair of damaged roofs |
| 3. | Tree Planting | Trans Nzoia | The environment | Afforestation |
| 4. | Cooperative College of Kenya | Nairobi | University students | Capacity building for university students |
| 5. | Training on nursery establishment and certification | Murang'a | Persons with Disability | Focus on PWDs |
| 6. | Participation at the Kisii University stakeholders forum | Kisii | University students | Stakeholder collaboration |
| 7. | Youth for Our Plant Group | Online | Youth | Youth training and advancement |

It is estimated that over 1000 people were impacted by the activities.

1. Pwani Ufanisi Cooperative College

Kaloleni is in Kilifi county which is one of the six coastal counties in Kenya. It is also one of the homes of the Miji Kenya who dot the Kenya coastline. The numerous lush palm trees in the area add immense beauty to the surroundings. It is against this back drop that 30 women of the Pwani Ufanisi Cooperative College benefited from the KEPHIS main annual sustainability activity. The group received 1,200 tomato and lemon grass seedlings, a drip irrigation system and a shade net. The tomato seedlings were planted in the shade net while the herb was planted in the open field. KEPHIS Mombasa regional office trained the group on how to grow the tomatoes using the drip irrigation system including planting the seedlings under the holes in the drip pipes and also when to water the plants. A green house is not suitable for this agro ecological zone hence the use of the shade net. The tomato variety (Ranger F1) is also good for the coastal region. The group was also tasked with looking for a market for the produce before growing any crop; in this case, the tomatoes have market in Kilifi and neighbouring Mombasa County; the lemon grass is targeted at the export market.

The soil where the crops were planted was tested at the KEPHIS analytical chemistry laboratory and found to be suitable to grow the crops.

At the event, KEPHIS MD Prof. Theophilus Mutui noted the importance of changing the outlook of agricultural production. "We need to adopt climate smart agriculture where we produce more crops with less," he said. He acknowledged that weather patterns had changed, hence the need to adopt better ways of producing food. This includes using irrigation which if utilized, the water is available all year round and can go a long way in conserving water.

He also appreciated the cooperation between KEPHIS and Kilifi County noting that the Kenya Constitution 2010 devolved agriculture to the counties.



Left: Tomato seedlings planted in a shade net in Kaloleni, Kilifi county and right: lemon grass planted in the open field. KEPHIS donated the seedlings and herb to Pwani Ufanisi Cooperative College during main CSS activity in the financial year.



Left: MD Prof. Theophilus Mutui demonstrating the importance of observing Good Agricultural Practices inside a shade net donated by KEPHIS during the annual CSS activity in Kaloleni, Kilifi County

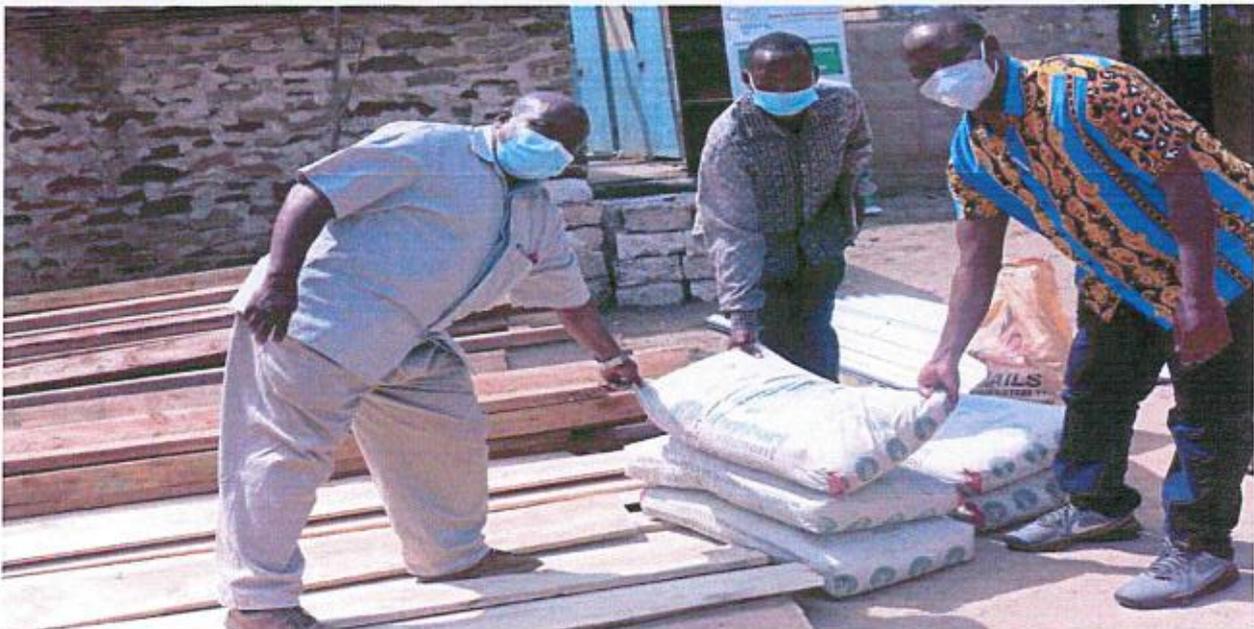
Right: Some women of Pwani Ufanisi Cooperative College during the event to hand over seedlings, a shade and drip pipes at part of sustainability activities of the Corporation

3. Mtaa Primary School, Kwale County

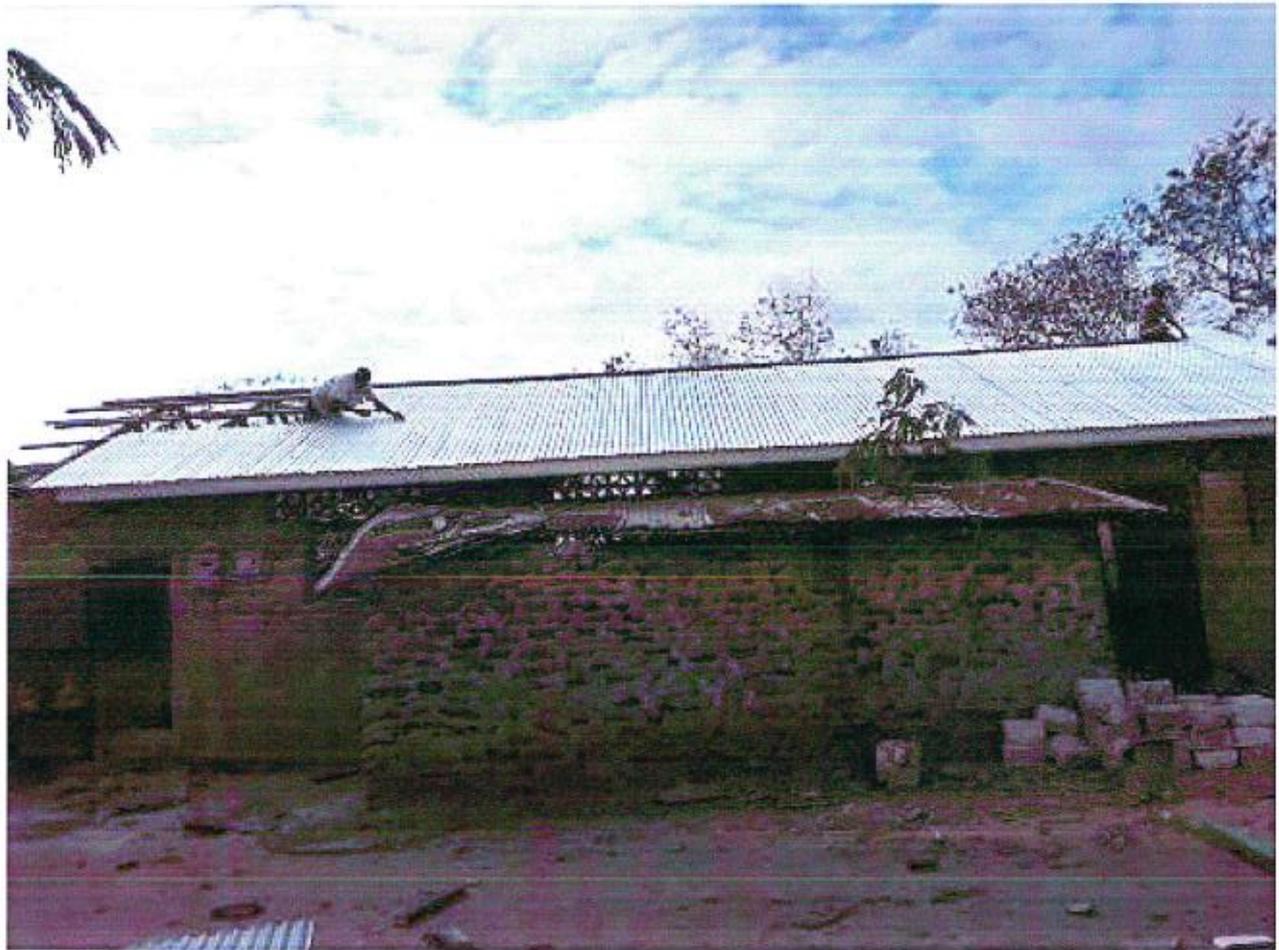
Mtaa Primary School is in an arid area of Kwale County in Kinango sub-county in Gandini zone. The school has 369 pupils both boys and girls. Recently, the roofs of two class rooms were blown off by strong winds which are common in the area. As a result, the pupils were learning in classes with no roofs posing danger to their wellbeing.

Through the Mombasa Regional Office, KEPHIS donated materials to provide roofing for two classrooms. The materials were timber, nails, rubber washers, wall pass, iron sheets, ridges, gladiators, coral blocks, sand, cement, paints, transport and labour.

The school has now rebuilt the roofs and the students are now in better classrooms.



**Top(left): Pupils and teachers of Mtaa Primary School in Kwale County
Top right: MD Prof Theophilus Mutui(right), Mtaa Primary School Head teacher Francis Mwang'ombe(centre) and Mombasa Regional Office Regional Manager Thomas Kosium at one of the classrooms whose roof was destroyed by heavy winds
Above: cement donated by KEPHIS to the school to rebuilt roofs destroyed by heavy winds**



**Top: Reconstruction of one of the destroyed roofs at Mtaa Primary School
Above: completed roof**

4. Kisii County

In Kisii county, on December 2020, the Corporation donated 500 avocado seedlings to Kisii University at an event organized by the International Centre for Research in Sustainable Development. The event was graced by Board Chairman Mr. Robin Achoki and MD Prof.

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Theophilus Mutui. The theme of the event was Implementing the *Big 4* Agenda in Kisii County. The Kisumu Regional Office represented the Corporation.

5. Kitale Trans Nzoia County

KEPHIS Kitale regional office participated in a national tree planting exercise in Trans Nzoia county that was presided over by Devolution Cabinet Secretary Hon. Eugene Wamalwa. The activity was an initial launch, with many others follow, the aim being to plant 100,000 trees with the target being to plant 1.2 million trees in government forests around Trans Nzoia county. An implementation working group has been formed comprising public and private partners to achieve the target.

KEPHIS Kitale Regional Manager Ephraim Wachira lauded the exercise, saying it is essential to sustain the good rains experienced in the county by planting trees. "Farmers should be encouraged to plant fruit trees such as avocado in order to boost their incomes as well as the tree cover in the county," he said.



Left: Devotion Cabinet Secretary Hon. Eugene Wamalwa (in hat) during a tree planting exercise carried out in Kitale to promote afforestation in the county. KEPHIS is part of the working group that organized the event

Right: KEPHIS staff Jeremiah Karpa plants an avocado tree during the event

6. Cooperative University of Kenya Sponsorship

KEPHIS was one of the ten sponsors of the event that targeted to build capacity to current and future students of the Cooperative University of Kenya. The theme of the day was *Future Jobs: Modern Day Career Planning*.

Co-operative University of Kenya is a higher learning institution that offers Masters and undergraduate degrees, diplomas and certificates in various academic fields. With the growing numbers of students joining and graduating in the country, the Institution felt a need to offer guidance to both students who are joining campus as well as those graduating so that they can be ready for the market in terms of career.

The 3rd Annual Career event held virtually due to the COVID-19 pandemic was an eye opener to the graduates and a guide to the 2020 K.C.S.E candidates to make the perfect choice of their career

in future. The Vice Chancellor Professor Kamau Ngamau applauded the 2020 candidates for their great performance despite the Covid 19 pandemic and urged the to make good choices of their career, seek guidance from their mentors and check on their website [www. Cuk.ac.ke](http://www.cuk.ac.ke) for the courses that might interest them. The VC also advised the graduates that getting good grades is not enough for someone to secure a job but taking time to show the target employer why you deserve the position at hand as well your exploratory skills, values, interests and personality. Prof. Kamau cautioned the graduates not to wait until they graduate to think about workplace but to act and spruce their resumes before graduating, set themselves aside from others by participating in mentorship programs, internships, career volunteering activities in employment related to their career and other work base learning experiences. In conclusion, Prof. Kamau added that 'information is power' and one needs to be empowered hence the need to attend such various forums.

The Deputy Vice Chancellor Prof. Akuno called on the students to choose careers based on certain parameters like to be intentional about the choices, be decisive, passionate, aptitude, altitude and finally commit to the realization of what it takes to that choice that you have made. However, the DVC urged the students to have three persons in their life: first, a buddy, a peer besides you who will urge you to keep going, second a mentor who is a step higher to motivate you to move on or someone you emulate and third a mentor who is someone who believes in you, this person forces you to behave so you cannot mess up to avoid mistrust. The DVC added that there's no entitlement to the career you take and therefore one needs to have a purpose, determination, commitment, resilience, patience and versatile.

The 3rd Annual career event had three key note speakers:

- 1) Mr. Alfayo Otuke who was represented by Mr. Okumu Daudi highlighting on Making a Living as a Consultant in the Digital Era. Mr. Okumu urged the students not to rely on some courses at the expense of others terming it a risk that should be avoided. Having wider variety of job search is useful in job searching therefore students needs proper guidance on career choices to prepare for the for the job market.
- 2) Mr. Michael Kamau with the theme of Data Science which entails use of computer science to extract knowledge and insights from data and apply appropriately. This increases revenue in an institution, gives a better understanding to the customer and brings in a competitive advantage since we are in a digital era. Mr. Kamau mentioned a few technologies that have embraced data science like cloud and Artificial Intelligence with practical examples of institutions who have put in place this technology namely Safaricom Zuri app and customer data ID. Uber Eats and Police finger print used for identification.
- 3) Dr. George Onchiri with the theme of careers in co-operatives in the age of computerization. Dr. Onchiri urged the students not to enjoy themselves in the university as they enroll in one course but combine their undergraduate degree with certificate or short courses like language so that they will have a competitive advantage over their peers hence well equipped for the job market. Dr. Onchiri advised the students not to stick to one course but diversify and get more skills in different fields to choose from hence a wider variety of fields that one can fit in. In conclusion, Dr. Onchiri insisted that when given some work you should work well, prove yourself capable, add value as well as creating the correct network for reference.

KEPHIS was recognized as one of the ten sponsors for the event.

The 3rd Annual Career Day Virtual event link is available on youtube
<https://youtu.be/GL09FdsNY8A>

I. 7. Youth Trained on Benefits of Avocado Farming



A Chinese official being taken through inspections of avocado from Jomo Kenyatta International Airport, Nairobi before export. Kenya has recently started export of avocado to the Asian nation

Nairobi(Online) - KEPHIS has trained *Youth for Our Planet* group on avocado production, emphasizing that Kenya's avocados are among the best in the world and urging them to grow the highly nutritious fruit to uplift their standards of living.

Avocado is the 2nd most important fruit in Kenya after Mango in terms of exports; the major season for the fruit is from March to September while smaller volumes are available from October to February. Varieties include *Hass* which is in high demand worldwide, *Fuerte*, *Pinkerton*, *Puebla*, *Linda*, among others. Kenya is the highest producer of avocado in Africa and 8th in the world.



Left: An avocado orchard and right: avocado fruits

The training, held online, is part of sustainability initiatives of KEPHIS, where the Institution builds capacity to various stakeholders on the mandate of the Corporation. These include women, youth and persons with disabilities. Seventeen members of the group benefitted from the training which endeavored to also inculcate the benefits of venturing into agribusiness.

Ms. Asenath Koech, an inspector who conducted the training, went through the various aspects of avocado production, from getting certified seedlings, nursery establishment and management, grafting, management of pests and diseases, among others. KEPHIS also donated 20 seedlings for the youth who will grow them using the techniques they learnt from the training.



Left: a pheromone trap(yellow colour) for mitigating fruit flies; right: an avocado nursery

Opportunities in avocado production include the opening of new markets such as China and India and re-opening of the South African market, Kenya's ability to produce avocados throughout the

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year, increased demand for avocado for consumption due to its health benefits as well as advanced knowledge to manage challenges, for example traps to mitigate against the fruit flies.

The young people were urged to look out for pests such as Thrips and the False Coddling Moth and diseases such as root rot.

To establish avocado orchards, participants were urged to conduct market surveys, observe the crop planting calendar, test soil and other agro inputs before planting, use quality planting materials, basal application of compost manure, recommended land preparation practices, and to obtain seedlings from registered nurseries.

At the end of the training, Ms. Irene Soit, the country leader for the youth group advised that the session was beneficial as they now have knowledge on the benefits of growing avocado. "We have seen that this is a venture we can get into with the support of KEPHIS," she said.

Youth for Our Planet is a global movement of young people urging world leaders and governments to take action on the nature crisis and climate emergency.

8. Training and Nursery Establishment of farmers Living with Disability in Murang'a county

On 19th June 2019, KEPHIS in collaboration with the County Government of Murang'a piloted an awareness training in agricultural activities for people abled differently in the County. The training focused on farmers with diverse disabilities ranging from physically challenged, deaf, blind and albinos. Ninety-two (92) participants attended the training. The farmers were trained on opportunities and requirements of exporting horticultural crops, safety in vegetables, emerging pests and their management, seed certification with major focus on fall armyworm in maize and export products and use of certified seed. The farmers were encouraged to form groups to enable KEPHIS assist them on business incubation and nursery establishment and certification.

The farmers were able to mobilize themselves and form various groups of which two were actively participating on fruits and vegetable farming. Vision Challenged farmers group with 20 members farming oranges, mangoes, avocado and pawpaws was able to identify space where they purposed to set up their nurseries. As a follow up to the training the Corporation organized another training for Vision Challenged farmers group on fruit tree nursery establishment and certification. The training was conducted on 23rd and 24th July 2020 by KEPHIS officers.

As a follow up KEPHIS scheduled a subsequent training on 4th September 2020 in Murang'a County for the Kakuku farmers group taking into consideration the guidelines set out to mitigate against the spread of COVID-19 pandemic. The training of the farmers included:

- Training on requirements for nursery establishment including soil and water testing (site selection, source of water, manure, source of scions, labour considerations among others)
- Requirements of nursery certification - Registration by HCD and certification by KEPHIS

KEPHIS donated to the group an Agronet/shade net for covering the nursery space, 1000 pieces of potting bags and a 5000 litre water tank for holding irrigation water. This was KEPHIS support towards enabling the group to start the nursery following the request by the group during the previous training. This was considered as part of KEPHIS Corporate Social Sustainability (CSS) aimed at contribution to sustainable food and nutrition security, as well as that of improving the incomes to the small holder farmers and particularly those living with disability.

Nursery Establishment

The nursery site was approved by KEPHIS officers to be suitable for the establishment. KEPHIS in the previous training committed to guide the farmers in nursery establishment and certification. This training took the farmers through a number of concepts which included the following:

- Consideration for nursery site selection
- Managing the nursery on day to day basis including sourcing of materials such as water, soil for potting, testing of soil and water, scions sourcing, watering among others
- Scouting for pests and diseases - Pest and disease identification and management
- Requirements for HCD nursery registration prior to certification by KEPHIS
- KEPHIS certification process and requirements It was recommended that KEPHIS officers to continue guiding the group on establishment and nursery management

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the corporation's affairs.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2021 are set out on pages 1 to 5.

Directors

The members of the board of directors who served during the year are shown on page vi. During the year, 3 directors retired and Managing Director was appointed.

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. In financial year 2020/21 KEPHIS shall remit Ksh. 86.4M.

Auditors

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

By Order of the Board



Secretary to the Board of Directors, KEPHIS

Date... 4/7/2022

II. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the corporation's financial statements, which give a true and fair view of the state of affairs of the corporation for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

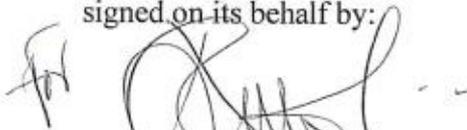
The Directors accept responsibility for the corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the KEPHIS Act. The Directors are of the opinion that the corporation's financial statements give a true and fair view of the state of corporation's transactions during the financial year ended June 30, 2019, and of the corporation's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the corporation, which have been relied upon in the preparation of the corporation's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The entity's financial statements were approved by the Board on 22/09 2021 and signed on its behalf by:



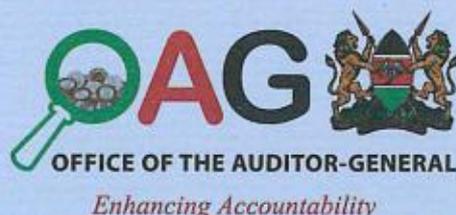
Mr. Moses Merkalei Atuko
**CHAIRMAN BOD AUDIT, RISK &
GOVERNANCE COMMITTEE**



Prof. Theophilus M. Mutui
MANAGING DIRECTOR

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA PLANT HEALTH INSPECTORATE SERVICE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for intended purpose.
- 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, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 the Kenya Plant Health Inspectorate Service (KEPHIS) set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2021, 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Plant Health Inspectorate Service as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Plant Health Inspectorate Service Act, 2012 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

The following balances reflected in the financial statements were not supported with sufficient appropriate records:

1. Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions totalling Kshs.121,451,000, as further disclosed in Note 22 to the financial statements. The balance includes debtors totalling Kshs.94,094,310.89 and Kshs.9,622,492.62 outstanding for between forty-five (45) days and three (3) or more years respectively which together constituted 85 % of the total exchange transactions balance as at 30 June, 2021. However, the debtors were still provided with services on credit contrary to Clause 3.2 of the KEPHIS Credit Policy and Regulations of March, 2016. The policy requires written approval of the Managing Director before additional credit is granted to clients indebted to the Inspectorate Service for inordinately long periods. There was no record of approvals and evidence of the measures taken by Management to recover the debts.

In view of large proportion of old debtors, the extent of recoverability of the gross debtors balance totalling Kshs.121,451,000 as at 30 June, 2021 could not be confirmed.

2. Investments

The statement of financial position reflects Investments totalling Kshs.60,000,000 owned by the Inspectorate Service as at 30 June, 2021, as further disclosed in Note 27 to the financial statements. Records provided for audit review indicated that the investments were made out of the KEPHIS Mortgage Scheme Fund established in 2009. However, contrary to Section 84(3) of the Public Finance Management Act, 2012, Management did not prepare and submit the financial statements of the Fund to the Auditor-General for audit in the year under review, or in previous years.

Consequently, the accuracy and validity of the investments balance totalling Kshs.60,000,000 reflected in statement of financial position could not be confirmed. Further Management breached the law by failing to prepare and submit the financial statements for the audit.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment totalling Kshs.1,116,649,000, as further disclosed in Note 26 to the financial statements. However, the land, buildings and other assets of the Inspectorate Service were last revalued in

November, 2009. Therefore, the carrying value of assets presented in the financial statements may differ materially from their fair values.

Further, included in the aggregate fixed assets balance is Kshs.264,666,000 being the total value of eleven parcels of land situated in Nakuru, Kiambu, Trans Nzoia, Embu, Nairobi and Kisumu Counties. However, the Inspectorate Service did not possess ownership documents for the land in Nakuru, Kiambu (Muguga) and Kitale. Although records provided for audit indicated Management had made efforts to have ownership of the Nakuru and Kiambu (Muguga) lands transferred from the Kenya Agricultural and Livestock Research Organization (KARLO) to KEPHIS, it was no certain when the title documents would be obtained.

In addition, as similarly reported in the previous year, out of the 125.3 hectares of land in Trans Nzoia irregularly possessed by private developers or occupied by illegal settlers, the Inspectorate Service had as at 30 June, 2021 recovered 34.09 hectares only. The prospects for recovery of the remainder 91.21 hectares were not disclosed by Management.

In the circumstances, ownership of property, plant and equipment, and accuracy and completeness of the respective book balance totalling Kshs.1,116,649,000 as at 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Plant Health Inspectorate Service Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

Various issues highlighted in the audit report for the year ended 30 June, 2020 had not been resolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the issues. Further, the report on the progress made on following up auditor's recommendations reflected in the financial statements does not disclose all the issues highlighted in the report for the previous year and is therefore incomplete.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, 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 Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Inspectorate Service's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Service, or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Inspectorate Service's financial reporting process, reviewing the effectiveness of how the Inspectorate monitors compliance with relevant legislative and regulatory requirements, ensuring that effective

processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Service's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Inspectorate Service to cease 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 Service to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 September, 2022

Kenya Plant Health Inspectorate Service
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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2020-2021 | 2019-2020 |
|---|-------|------------------|------------------|
| | | Kshs '000' | Kshs '000' |
| Revenue from non-exchange transactions | | | |
| Public contributions and donations | 7 | 86,031 | 269,617 |
| Transfers from other governments—gifts and services-in-kind | 8 | 200,000 | 190,000 |
| | | 286,031 | 459,617 |
| Revenue from exchange transactions | | | |
| Rendering of services | 9 | 1,178,004 | 1,060,134 |
| Hire of Facilities | 10 | 2,672 | 2,958 |
| Finance income-external investments | 11 | 1,299 | 2,635 |
| Other income | 12 | 2,305 | 14,021 |
| | | 1,184,281 | 1,079,748 |
| Total revenue | | 1,470,312 | 1,539,365 |
| Expenses | | | |
| Employee costs | 13 | 639,619 | 672,340 |
| Board Expenses | 14 | 29,750 | 33,856 |
| Depreciation and amortization expense | 15 | 89,416 | 86,782 |
| Repairs and maintenance | 16 | 59,389 | 63,681 |
| Grants and subsidies | 17 | 66,699 | 169,006 |
| General expenses | 18 | 500,112 | 504,400 |
| Total expenses | | 1,384,985 | 1,530,065 |
| Other gains/(losses) | | | |
| Gain on sale of assets | 19 | 157 | 1,190 |
| Gain on foreign exchange transactions | 20 | 744 | (501) |
| Increase/Decrease in provision for doubtful debts | 29 | (9,412) | (2,989) |
| Total other gains/(losses) | | (8,511) | (2,300) |
| Surplus/Deficit for the period | | 76,816 | 7,000 |
| Remission to National Treasury | | 0 | 18,000 |
| Surplus/Deficit for the period | | 76,816 | (11,000) |

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

**Kenya Plant Health Inspectorate Service
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | | 2020-2021 | 2019-2020 |
|---|------|------------------|------------------|
| | Note | Current year | Current year |
| Assets | | Shs '000' | Shs '000' |
| Current assets | | | |
| Cash and cash equivalents | 21 | 96,252 | 31,493 |
| Receivables from exchange transactions | 22 | 121,451 | 115,951 |
| Receivables from non-exchange transactions | 23 | 6,239 | 5,176 |
| Inventories | 24 | 25,926 | 29,693 |
| Prepayments | 25 | 72,868 | 77,395 |
| | | 322,735 | 259,709 |
| Non-current assets | | | |
| Property ,plant and equipment | 26 | 1,116,649 | 1,130,631 |
| Investments | 27 | 60,000 | 60,000 |
| Long term receivables from exchange transactions | | - | - |
| | | 1,176,649 | 1,190,631 |
| Total assets | | 1,499,384 | 1,450,340 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 28 | 113,957 | 131,484 |
| Provisions | 29 | 8,541 | 1,922 |
| Deferred income | 30 | 79,685 | 94,696 |
| Payments received in advance | 31 | 8,641 | 9,077 |
| Current Borrowing | | - | 2,189 |
| | | 210,825 | 239,368 |
| Net assets | | | |
| Reserves | | 1,211,744 | 1,221,972 |
| Surplus/(deficit) | | 76,816 | (11,000) |
| | | | |
| Total net assets and liabilities | | 1,499,384 | 1,450,340 |

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:


Managing Director
Prof. Theophilus M. Mutui

Date...4/7/2022.....


Ag. GM Finance & Administration
Mr. Bartonjo Cheptarus
CPAK Member No. 4391

Date...4/7/2022.....


Chairman BOD Audit Risk and Governance Committee
Mr. Moses Merkalei Atuko

Date...4/7/2022.....

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

| | Revaluation reserve | Retained earnings | Total |
|--------------------------------|--------------------------------|------------------------------|-------------------|
| | Kshs '000' | Kshs '000' | Kshs '000' |
| At July 1, 2019 | 451,194 | 770,778 | 1,221,972 |
| Surplus/Deficit for the period | | (11,000) | (11,000) |
| At June 30, 2020 | 451,194 | 759,778 | 1,210,972 |
| | | | |
| At July 1, 2020 | 451,194 | 759,778 | 1,210,972 |
| Surplus/Deficit for the period | | 76,816 | 76,816 |
| At June 30, 2021 | 451,194 | 836,594 | 1,287,788 |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note s | 2020-2021 | 2019-2020 |
|--|-------------------|-------------------|-------------------|
| | | Kshs '000' | Kshs '000' |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Public contributions and donations | 7 | 71,020 | 173,687 |
| Transfers from other governments—gifts and services-in-kind | 8 | 200,000 | 190,000 |
| Rendering of services | 9 | 1,178,004 | 1,060,134 |
| Hire of Facilities | 10 | 2,672 | 2,958 |
| Finance income-external investments | 11 | 1,299 | 2,635 |
| Other income | 12 | 3,050 | 13,520 |
| | | 1,456,045 | 1,442,935 |
| Payments | | | |
| Employee costs | 13 | 639,619 | 672,340 |
| Board Expenses | 14 | 29,750 | 33,856 |
| Repairs and maintenance | 16 | -59,389 | 63,681 |
| Grants and subsidies | 17 | 66,699 | 169,006 |
| General expenses | 18 | 500,112 | 504,400 |
| Remission to National Treasury | | - | 18,000 |
| | | 1,295,569 | 1,461,283 |
| Net cash flows from operating activities | | 160,477 | (18,348) |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (74,706) | (107,814) |
| Proceeds from sale of property, plant and Equipment | | 200 | 2,111 |
| Decrease/(increase) in current receivables | | (9,356) | (11,144) |
| Decrease/(increase) inventories | | 3,767 | 14,999 |
| Decrease/(Increase) in prepayments | | 4,527 | (20,727) |
| (Decrease)/Increase in payables | | (20,215) | 42,791 |
| (Decrease)/Increase Payment received in advance | | (436) | 1,689 |
| Net cash flows used in investing activities | | (96,219) | (78,095) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | - | 2,189 |
| Repayment of borrowings | | - | - |
| Increase in deposits | | - | - |
| Net cash flows used in financing activities | | | 2,189 |
| Net increase/(decrease) in cash and cash equivalents | | 64,258 | (94,255) |
| Cash and cash equivalents at 30 June 2020 | | 31,993 | 125,748 |
| Cash and cash equivalents at 30 June 2021 | | 96,252 | 31,493 |
| Per Financial Statements | | 96,252 | 31,493 |

**Kenya Plant Health Inspectorate Service,
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

| | Original budget | | Adjustments | | Final budget | | Actual on comparable basis | | Performance difference | | Explanation of material variances |
|---|------------------|------|--------------------|------|------------------|------|----------------------------|------|------------------------|------|-----------------------------------|
| | 2020-2021 | Kshs | 2020-2021 | Kshs | 2020-2021 | Kshs | 2020-2021 | Kshs | 2020-2021 | Kshs | |
| Revenue | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| Public contributions and donations | 189,082 | | (81,808) | | 107,274 | | 86,031 | | (21,243) | (a) | |
| Transfers from other governments—gifts and services-in-kind | 220,000 | | (20,000) | | 200,000 | | 200,000 | | (0) | (b) | |
| Rendering of services | 1,208,872 | | 28,250 | | 1,237,122 | | 1,178,004 | | (59,118) | (c) | |
| Other income | 27,978 | | (19,374) | | 8,604 | | 3,604 | | (5,000) | (d) | |
| Total income | 1,645,932 | | (92,932) | | 1,553,000 | | 1,470,312 | | (82,688) | | |
| Expenses | | | | | | | | | | | |
| Employee costs | 719,868.00 | | (66,444) | | 653,424 | | 639,619 | | (13,805) | (e) | |
| Board Expenses | 29,880.00 | | 120 | | 30,000 | | 29,750 | | (250) | (f) | |
| Depreciation and amortization expense | 79,228.00 | | 42,572 | | 121,800 | | 89,416 | | (32,384) | (g) | |
| Repairs and maintenance | 79,730.00 | | (1,380) | | 78,350 | | 59,389 | | (18,961) | (h) | |
| Grants and subsidies | 189,082.00 | | (81,808) | | 107,274 | | 66,699 | | (40,575) | (i) | |
| General expenses | 548,144.00 | | 14,008 | | 562,152 | | 500,112 | | (62,040) | (j) | |
| Reimbursement | | | | | | | | | | | |
| Total expenditure | 1,645,932 | | (92,932.00) | | 1,553,000 | | 1,384,985 | | | | |
| Surplus for the period | | | | | | | 76,816 | | | | |

NB: Changes between original and final budget were as a result of approved re-allocations during the period.

Explanation of material variance in statement of variance and actual comparison

- a) Donor funded activities amount was below budgeted amounts.
- b) GOK within revised budget.
- c) In spite of 11% growth in internally generated revenue the target in the budget was not achieved due to waiver of inspection fees.
- d) Other revenue was lower than budget target due to underperformance of accommodation facilities.
- e) Total targeted revenue not achieved due to factors highlighted above.
- f) Personnel emoluments was within budget estimate.
- g) The board expenditure was within budget estimate.
- h) Actual depreciation was lower than estimated in the budget. The budget had considered revaluation of assets which was not undertaken.
- i) Repair and maintenance cost was lower than budget due to reduction in travel affected by the pandemic.
- j) Grants and subsidies relate to development partners activities. Some of the activities were not completed by end of the financial year.
- K) The general expenditures were lower than budget due to reduced external travel, shows and exhibitions.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

2. Statement of Compliance and Basis of preparation

The financial statements have been prepared on a historical cost basis unless stated otherwise. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the corporation's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the corporation and all values are rounded to the nearest thousand (Ksh000).

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

3. Adoption of new and revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

| Standard | Impact |
|-----------------------------|---|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. The standard does not affect KEPHIS as there was no impairment of assets in the year.</p> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> |

**Kenya Plant Health Inspectorate Service,
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| Standard | Effective date and impact: |
|--|---|
| | (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> |

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

5 Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

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

Transfers from other government entities

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

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

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 30th March 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the corporation upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record any additional appropriation on the 2018-2019 budget.

The corporation's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section five of these financial statements.

c) Taxes

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

d) Property, plant and equipment

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

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

The Corporation applies the following rates of depreciation:

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

The following residual values have been adopted:

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

e) Leases

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

f) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or a Corporation of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments

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- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

g) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

i) Nature and purpose of reserves

The Corporation creates and maintains reserves in terms of specific requirements. The corporation maintains two reserves namely, retained earnings reserve revaluation reserve and. Revaluation reserves of Kshs. 451,194,344.00 reflected in the financial statements arose out of revaluation of corporation assets while the retained earnings reserve have a balance of Kshs. 768,375,783 arising out of accumulated surplus since inception.

Changes in accounting policies and estimates

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

j) Employee benefits

Retirement benefit plans

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

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. The US Dollar closing rate as at 30 June 2021 was Kshs. 107.85. 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.

l) Related parties

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

m) 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.

n) Comparative figures

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

o) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

6 Significant judgments and Sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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Provisions

Provisions were determined on consideration of relevant factors affecting receivables and in line with the organizational policies and procedures. General provision for doubtful debts was maintained at 7.5% and 100% for debts over three years.

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7 Public contributions and donations

| Description | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | Kshs 000 | Kshs 000 |
| Project grant COPE | 5,154 | 5,609 |
| COMESA/RIIP | 22,000 | 15,000 |
| SASHA II/Prebasic seed revolving fund | 176 | 854 |
| EU-SMAP | - | - |
| CIP Pre-Basic revolving Fund | - | - |
| CIP Ralstonia | - | 1,108 |
| USAID foodscap | 43,360 | 113,635 |
| Natural History Museum | - | - |
| IITA cassava Rap | - | - |
| STDF/COMESA | - | 37 |
| CIMMYT | - | 1,012 |
| Agri experience | 330 | 210 |
| TMEA | | 36,222 |
| Total Transfers and sponsorship | 71,020 | 173,687 |
| Reconciliation of public contribution and donations | | |
| Balance unspent at the beginning of the year | 94,696 | 190,626 |
| | 71,020 | 173,687 |
| Current year receipts | | |
| Condition met-transferred to revenue | (86,031) | (269,617) |
| Condition to be met -remain liabilities | 79,685 | 94,696 |

These funds are received from various development partners and stakeholders.

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8 Transfers from other governments

| Description | 2020-2021 | 2019-2020 |
|--|----------------|-----------|
| | Kshs 000 | Kshs 000 |
| Unconditional grants | | |
| Operational grant | 200,000 | 190,000 |
| Other | | |
| | 200,000 | 190,000 |
| Conditional grants | | |
| Development Grant | - | - |
| Total government grants and subsidies | 200,000 | 190,000 |

8b)

| Name of the Entity sending the grant | Amount recognized to Statement of Comprehensive Income | Amount deferred under deferred income | Amount recognized in capital fund. | Total grant income during the year | 2020-2021 |
|--|--|---------------------------------------|------------------------------------|------------------------------------|----------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Ministry of Agriculture Livestock and Fisheries/State department of Research | 200,000 | - | - | - | 200,000 |
| Total | 200,000 | - | - | - | 200,000 |

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9 Rendering of services

| Description | | 2020-2021 | 2019-2020 |
|---|--|---|------------------|
| Department | Section | KShs 000 | KShs 000 |
| Phytosanitary | JKIA Plant Inspection Unit | 310,371 | 263,474 |
| | Plant Quarantine Station Muguga Muguga | 19,139 | 11,958 |
| | Namanga Boarder Post | 67,766 | 46,212 |
| | Loitoktok Boarder Post | 19,708 | 15,565 |
| | ICD Nairobi | 1,386 | 214 |
| | Headquaters Phytosanitary | 23,606 | 13,627 |
| | Headquaters Molecular Laboratory | 3,143 | 3,640 |
| | Mombasa Chief Grader | 222,114 | 251,461 |
| | Lungalunga Boarder Post | 11,793 | 12,014 |
| | Taveta Boarder Post | 29,905 | 26,718 |
| | Bura Station | 225 | 430 |
| | Naivasha | 12,597 | 9,296 |
| | Kisumu Main Office | 7,815 | 3,365 |
| | Busia Boarder Post | 83,558 | 67,971 |
| | Isebania Boarder Post | 10,437 | 6,498 |
| | Embu Regional Office | 10,053 | 3,963 |
| | Moyale Boarder Post | 7,298 | 17,515 |
| | Timau Station | 4,325 | 3,771 |
| | Nyeri | 2,119 | 1,017 |
| | | Total Phytosanitary Revenue | 847,360 |
| Seed Certification | Headquaters Seed Section | 37,617 | 35,647 |
| | Nakuru Main Office | 69,262 | 41,412 |
| | Kitale Main office | 82,985 | 70,236 |
| | Malaba Boarder Post | 78,085 | 52,307 |
| | Eldoret Station | 5,790 | 3,577 |
| | Swam | 895 | 969 |
| | Lwakhakha | 3,908 | 203 |
| | | Total Seed Certification Revenue | 278,543 |
| Plant Variety Services | All Stations | 12,617 | 32,513 |
| Analytical Laboratory Services | Headquaters | 39,485 | 64,563 |
| Total revenue from the rendering of services | | 1,178,004 | 1,060,134 |

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10 Rental revenue from facilities

| Description | 2020-2021 | 2019-2020 |
|------------------------------|--------------|--------------|
| | Kshs 000 | Kshs 000 |
| Conference and Accommodation | 2,672 | 2,958 |
| Total rentals | 2,672 | 2,958 |

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

11 Finance income

| Description | 2020-2021 | 2019-2020 |
|--|--------------|--------------|
| | Kshs 000 | Kshs 000 |
| Interest from Mortgage Deposit and other deposits | 1,299 | 2,635 |
| Total finance income – external investments | 1,299 | 2,635 |
| Interest Received | 0 | 1,657 |
| Interest receivable | 1,299 | 978 |
| Total Interest receivable | 1,299 | 2,635 |

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

12 Other income

| | 2020 - 2021 | 2019 - 2020 |
|---------------------------|--------------|---------------|
| | Kshs 000 | Kshs 000 |
| Miscellaneous receipts | 2,305 | 14,021 |
| Total other income | 2,305 | 14,021 |

13 Employee costs

| | 2020 - 2021 | 2019 - 2020 |
|-------------------------------|-------------|-------------|
| | Kshs 000 | Kshs 000 |
| Basic Salary | 303,423 | 313,283 |
| Casual Labour | 55,887 | 60,779 |
| Gratuity and Pension | 42,051 | 56,045 |
| House Allowance | 115,269 | 117,681 |
| Transfer Allowance | 1,200 | 2,538 |
| Other Personal Allowances | 49,348 | 51,515 |
| Overtime Allowance | 2,714 | 2,446 |
| Passage & Leave Expenditure | 4,720 | 4,725 |
| Medical Expenses | 56,019 | 47,703 |
| Staff life and accident cover | 8,938 | 7,259 |

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| | | |
|--------------------------------------|----------------|----------------|
| Staff Counselling & support services | 50 | - |
| Total employee cost | 639,619 | 663,974 |
| | | |

14 Remuneration of directors

| Description | 2020 - 2021 | 2019 - 2020 |
|----------------------------------|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| Medical Expenses | 871 | 1,004 |
| Board Committees and Seminars | 27,835 | 31,745 |
| Chairman's Honoraria | 1,044 | 1,106 |
| Total director emoluments | 29,750 | 33,856 |

15 Depreciation and amortization expense

| Description | 2020 - 2021 | 2019 - 2020 |
|--|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| Property, plant and equipment | 89,416 | 86,782 |
| Total depreciation and amortization | 89,416 | 86,782 |

16 Repairs and maintenance

| Description | 2020 - 2021 | 2019 - 2020 |
|--|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| Maintenance of Motor Vehicle | 29,474 | 30,334 |
| Maintenance of Plant Machinery & Equipment | 12,850 | 15,798 |
| Maintenance of Buildings and stations | 17,065 | 17,549 |
| Total depreciation and amortization | 59,389 | 63,681 |

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17 Grants and subsidies

| Description | 2020-2021 | 2019 - 2020 |
|--|---------------|----------------|
| | Kshs 000 | Kshs 000 |
| Project grant COPE | 3,144 | 6,751 |
| EAPP | - | - |
| ASSIP -K | - | - |
| EU SMAP | - | - |
| COMESA/RIIP | 18,340 | 11,959.02 |
| SASHA II/Prebasic seed fund | - | 657.08 |
| IITA BGMF | | |
| STDF/COMESA | - | 1,624.20 |
| KFC/KAVES | - | - |
| Prebasic seed fund | | |
| CIP Ralstonia | - | 1,464 |
| Agri experience | 330 | 210 |
| IITA Cassava Rap | | 531 |
| CIMMYT | | 999 |
| USAID Foodscap | 44,885 | 126,091 |
| Natural History Museum | | |
| TMEA | | 18,720 |
| Total Transfers and sponsorship | 66,699 | 169,006 |

18 General expenses

| Description | 2020-2021 | 2019 - 2020 |
|--|-----------|-------------|
| | Kshs 000 | Kshs 000 |
| Electricity | 18,390 | 19,393 |
| Water & Conservancy | 1,591 | 1,494 |
| Telephone | 3,626 | 4,617 |
| Postal & Courier | 4,527 | 3,369 |
| Internet Services | 14,033 | 19,815 |
| Local travel & Accommodation | 153,360 | 143,582 |
| External Travel | 2,082 | 16,254 |
| Publishing & printing | 73,915 | 48,649 |
| Advertising & publicity | 1,906 | 1,787 |
| Trade shows & Exhibitions | 546 | 20,622 |
| Rents & Rates | 8,669 | 7,425 |
| Hire of transport | 443 | 977 |
| Training (stakeholders) | 4,724 | 6,365 |
| catering services | 5,448 | 7,638 |
| Insurance premiums - vehicles & other assets | 5,832 | 8,551 |
| laboratory stores | 31,551 | 37,269 |

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| Description | 2020-2021 | 2019 - 2020 |
|---|----------------|----------------|
| | Kshs 000 | Kshs 000 |
| Education & library | 1,447 | 1,598 |
| Uniform & clothing | 4,392 | 2,397 |
| Purchases of NPT DUS PC and farm inputs | 8,018 | 15,168 |
| General office supplies and Stationery | 14,103 | 11,771 |
| Supply and accessories for computers and Printers | 26,257 | 21,946 |
| Fuel & lubricants | 30,611 | 29,739 |
| Bank Charges | 4,369 | 5,727 |
| Guards & cleaning services | 26,954 | 29,305 |
| contracted professional services | 8,170 | 9,106 |
| others | 579 | 564 |
| contribution to private and international organisations | 5,887 | 6,523 |
| Farmers demos & field day food & ration | 21,029 | 22,721 |
| Audit fees | 0 | 0 |
| Compensation and ex-gratia | 1,443 | 0 |
| corporate social responsibility | 737 | 30 |
| Staff Training | 15,473 | 8,366 |
| Total General Expenditure | 500,112 | 512,766 |

19 Gain on sale of Assets

| Description | 2020-2021 | 2019 - 2020 |
|---------------------|------------|--------------|
| | Kshs 000 | Kshs 000 |
| Motor Vehicles | 157 | 1,190 |
| Office Equipment | - | - |
| Furniture & Fitting | - | - |
| Total gain | 157 | 1,190 |

20 Gain on foreign exchange

| Description | 2020-2021 | 2019 - 2020 |
|------------------------------------|------------|--------------|
| | Kshs 000 | Kshs 000 |
| Realised Exchange Gain/loss | 744 | (501) |

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21 Cash and cash equivalents

| Institution | Description | Account Number | 2020-2021 | 2019-2020 |
|--|-------------------------|----------------|---------------|---------------|
| | | | Kshs 000 | Kshs 000 |
| Current accounts | | | | |
| CBA | KEPHIS USAID | 6523810022 | 2,222 | 16,254 |
| KCB | KEPHIS | 1108285430 | 3,365 | 2,643 |
| KCB | KEPHIS | 1108285678 | 50,773 | - |
| KCB | KEPHIS(Dollar) | 1104843269 | 6,130 | 1,704 |
| KCB | Kephis-Assip | 1138298948 | 291 | 292 |
| KCB | Kephis-Cope | 1130043959 | 2,573 | 331 |
| KCB | Kephis sinking Fund | 1128368366 | 131 | 134 |
| KCB | Kephis EAAPP Project | 1121039685 | 261 | 262 |
| NBK | Kephis | 1001017146200 | 9 | 9 |
| NIC | EU Smap | 1001569364 | 5 | 5 |
| CBA | Kephis JKIA | 6523810017 | 22,689 | 6,182 |
| | MPESA | | 1391 | 1,500 |
| | | | 89,841 | 29,316 |
| KCB | Kephis Kisumu | 1104038307 | 796 | 1 |
| KCB | Kephis Kitale | 1108814093 | 545 | 579 |
| KCB | Kephis Mombasa Office | 1101574712 | 21 | 575 |
| KCB | Kephis Naivasha | 1121954359 | 483 | 103 |
| KCB | Kephis Nakuru | 1101844876 | 18 | 1 |
| KCB | Kephis Plant Quarantine | 1107093724 | 292 | 98 |
| KCB | JKIA | | 2,021 | 427 |
| KCB | Kephis Embu | 1102966649 | 11.5 | 4 |
| | | | 4,187 | 1,788 |
| | Un-deposited funds | | 2,224 | 391 |
| Total cash and cash equivalents | | | 96,252 | 31,493 |

22 Receivables from exchange transactions

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|----------------|----------------|
| | Kshs 000 | Kshs 000 |
| Current receivables | | |
| Service debtors | 140,939 | 132,646 |
| Less: impairment allowance | (19,488) | (16,695) |
| Total current receivables | 121,451 | 115,951 |

Impairment Allowance computation

| 0-30 Days | 30-90 Days | 90-365 Days | 1-3yrs | Over 3yrs | TOTAL |
|-----------|------------|-------------|-----------|-----------|-------------------|
| 7.5% | 7.5% | 7.5% | 7.5% | 100% | |
| 3,625,656 | 1,384,244 | 3,192,469 | 1,663,568 | 9,622,493 | 19,488,431 |

23 Receivables from non-exchange contracts

| Description | 2020-2021 | 2019-2020 |
|----------------------------------|--------------|--------------|
| | Kshs 000 | Kshs 000 |
| Current receivables | | |
| Staff advances | 30 | 84 |
| Interest receivable | 2,198 | 978 |
| Medical Advance | 4,010 | 4,115 |
| Total current receivables | 6,239 | 5,176 |

24 Inventories

| Description | 2020-2021 | 2019-2020 |
|---------------------------|---------------|---------------|
| Inventories as per region | Kshs 000 | Kshs 000 |
| KEPHIS Naivasha | - | 448 |
| KEPHIS EMBU | 467 | 476 |
| Stores-HQ | 13,169 | 21,468 |
| Mombasa | 299 | 607 |
| Kitale | 904 | - |
| PQBS | 681 | 853 |
| Kisumu | 291 | 240 |
| Jkia | 547 | 885 |
| Nakuru | 1,529 | 3,300 |
| Lab Stores | 8,039 | 1,416 |
| Total Inventories | 25,926 | 29,693 |

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25 Prepayments

| Description | 2020-2021 | 2019-2020 |
|--------------------------|------------------|------------------|
| | Kshs 000 | Kshs 000 |
| Prepayment Supplies | 55,442 | 64,101 |
| Deposit Supplies | 6,566 | 6,475 |
| Travel Imprest | 9,888 | 6,819 |
| Total Prepayments | 71,897 | 77,395 |

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26 Property, plant and equipment

| COST OR VALUATION cost:Shs.'000' | LAND | BUILDINGS | PLANT AND MACHINERY | MOTOR VEHICLES | COMPUTERS AND ACCESSORIES | OFFICE EQUIPMENT | FURNITURE AND FITTINGS | LABORATORY EQUIPMENTS | WIP | TOTALS |
|-------------------------------------|----------------|----------------|---------------------|----------------|---------------------------|------------------|------------------------|-----------------------|---------------|------------------|
| July 1st 2019 | 264,666 | 639,699 | 81,080 | 249,015 | 103,954 | 33,076 | 18,748 | 394,563 | | 1,784,801 |
| Additions | - | - | - | - | 8,094 | 2,004 | 373 | 78,544 | 18,799 | 107,814 |
| Transfer | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | (9,290) | - | - | - | - | - | (9,290) |
| At 30th June 2020 | 264,666 | 639,699 | 81,080 | 239,725 | 112,048 | 35,080 | 19,121 | 473,107 | 18,799 | 1,883,325 |
| July 1st 2020 | 264,666 | 639,699 | 81,080 | 239,725 | 112,048 | 35,080 | 19,121 | 473,107 | 18,799 | 1,883,325 |
| Additions | - | - | 6,726 | 49,847 | 11,087 | 3,045 | 499 | 4,798 | 16,565 | 92,567 |
| Transfer | - | - | - | - | - | - | - | - | (1,297) | (1,297) |
| Disposal | - | - | - | (430) | - | - | - | - | - | (430) |
| At 30th June 2021 | 264,666 | 639,699 | 87,806 | 289,142 | 123,134 | 38,126 | 19,620 | 477,905 | 17,502 | 1,957,601 |
| DEPRECIATION | | | | | | | | | | |
| July 1st 2019 | - | 99,371 | 53,202 | 180,472 | 81,916 | 18,936 | 11,940 | 228,443 | - | 674,281 |

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| COST OR VALUATION | LAND | BUILDINGS | PLANT AND MACHINERY | MOTOR VEHICLES | COMPUTERS AND ACCESSORIES | OFFICE EQUIPMENT | FURNITURE AND FITTINGS | LABORATORY EQUIPMENTS | WIP | TOTALS |
|----------------------------------|---------|-----------|---------------------|----------------|---------------------------|------------------|------------------------|-----------------------|--------|-----------|
| Charge for the year | - | 12,794 | 6,247 | 14,295 | 10,197 | 2,705 | 1,141 | 39,404 | - | 86,783 |
| Disposal | - | - | - | (8,369) | - | - | - | - | - | (8,369) |
| Accumulated at 30th June 2020 | - | 112,165 | 59,448 | 186,399 | 92,113 | 21,641 | 13,081 | 267,847 | - | 752,694 |
| July 1st 2020 | - | 112,165 | 59,448 | 186,399 | 92,113 | 21,641 | 13,081 | 267,847 | - | 752,694 |
| Charge for the year | - | 12,794 | 6,397 | 15,788 | 9,326 | 2,688 | 1,109 | 41,313 | - | 89,416 |
| Disposal | - | - | - | (387) | - | - | - | - | - | (387) |
| Accumulated at 30th June 2021 | - | 124,959 | 65,846 | 201,799 | 101,439 | 24,329 | 14,189 | 309,160 | - | 841,723 |
| Net Book Value at 30th June 2021 | 264,666 | 514,740 | 21,960 | 87,343 | 21,695 | 13,796 | 5,431 | 168,745 | 17,502 | 1,115,878 |
| Net Book Value at 30th June 2020 | 264,666 | 527,534 | 21,632 | 53,326 | 19,935 | 13,439 | 6,040 | 205,260 | 18,799 | 1,130,632 |

- Last valuation on assets was undertaken by CB Richard Ellis in November 2009. Valuation was based on Open Market Value.
- All Assets have been presented on Historical cost or Revaluation amounts (for assets purchased before November 2009) Less accumulated Depreciation
- WIP constitutes Capital Expenditure on Intangible Asset (Seed system and IEICS system)

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27 Investment

| Description | 2020-2021 | 2019-2020 |
|---------------------------------|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| At beginning of the year | 60,000 | 60,000 |
| Additions | - | - |
| Depreciation | - | - |
| At end of the year | 60,000 | 60,000 |

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

| Financial Performance for Investment | 2020-2021 |
|--------------------------------------|--------------|
| | Kshs 000 |
| Interest Receipts | 1,220 |
| Surplus | 1,220 |

| Financial Position for Investment | 2020-2021 |
|---|---------------|
| | Kshs 000 |
| Cash and Cash equivalent | - |
| Interest Receivable | 2,198 |
| Total Current Assets | 2,198 |
| Non-Current Assets | |
| Long term receivable from exchange transactions | 60,000 |
| Net Assets | 62,198 |
| Capital Fund | 60,000 |
| Accumulated Surplus | 2,198 |
| Total Net assets & Liabilities | 62,198 |

28 Trade and other payables from exchange transactions

| Description | 2020-2021 | 2019-2020 |
|-------------------------|----------------|----------------|
| | Kshs 000 | Kshs 000 |
| Trade Creditors | 87,530 | 95,336 |
| Sundry Creditors | 25,432 | 34,275 |
| Tax Liability | 996 | 556 |
| WIBA insurance proceeds | - | 1,316 |
| Totals | 113,957 | 131,484 |

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29 Current provisions

| Description | 2020-2021 | 2019-2020 |
|--|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| Audit fee Provision | | |
| Balance at the beginning of the year | 1,922 | 961 |
| Additional Provisions | 961 | 961 |
| Provision utilised | - | - |
| Change due to discount and time value for money | - | - |
| Transfers from non -current provisions | - | - |
| Balance at the end of the year | 2,883 | 1,922 |
| Provision for Doubtful Debt | | |
| Balance at the beginning of the year | 16,695 | 14,667 |
| Additional provision | 2,793 | 2,028 |
| Change due to discount and time value for money | - | - |
| Balance at the end of the year | 19,498 | 16,695 |
| Provision for Gratuity | | |
| Balance at the beginning of the year | - | - |
| Additional provision | 2,689 | - |
| Change due to discount and time value for money | - | - |
| Balance at the end of the year | 2,689 | - |
| Ex-gratia Provision | | |
| Balance at the beginning of the year | - | - |
| Additional provision | 2,969 | - |
| Change due to discount and time value for money | - | - |
| Balance at the end of the year | 2,969 | - |
| Total Provision (2,883+2,689+2,969) | 8,541 | - |
| Change in provision (961+2,793+2,689+2,969) | 9,412 | 2,989 |

30 Deferred income

| Description | 2020-2021 | 2019-2020 |
|------------------------------------|---------------|---------------|
| | Kshs 000 | Kshs 000 |
| Public contributions and donations | 15,501 | 13,114 |
| Donated assets | 64,184 | 81,582 |
| Total deferred income | 79,685 | 94,696 |

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The deferred movement is as follows

| Public contributions and donations | |
|------------------------------------|----------|
| Balance brought forward | 94,696 |
| Additions | 71,020 |
| Transfers to Capital fund | (1,934) |
| Transfers to income statement | (66,699) |
| Transfer to depreciation | (17,398) |
| Balance carried forward | 79,685 |

31 Payment Received in Advance

| Description | 2020-2021 | 2019-2020 |
|----------------------|-----------|-----------|
| | Kshs 000 | Kshs 000 |
| Prepayment Liability | 8,641 | 9,077 |

32 Financial Risk Management

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

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

(i) Credit risk

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

Management assesses the credit quality of each customer, 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.

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

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| | Total amount | Fully performing | Past due | Impaired |
|--|-------------------------|-----------------------------|------------------------|------------------------|
| | Kshs. '000' | Kshs. '000' | Kshs. '000' | Kshs. '000' |
| At 30 June 2020 | | | | |
| Receivables from exchange transactions | 110,775 | 98,769 | 6,365 | 14,667 |
| Receivables from non-exchange transactions | 5,176 | 5,176 | - | - |
| Total | 115,951 | 103,945 | 6,365 | 14,667 |
| At 30 June 2021 | | | | |
| Receivables from exchange transactions | 140,939 | 131,317 | 9,622 | 19,488 |
| Receivables from non-exchange transactions | 6,239 | 6,239 | - | - |
| Total | 147,178 | 137,556 | 9,622 | 19,488 |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

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

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

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| | Less than 1 month | Between 1-3 months | Between 3-5 Months | Over 5 months | Total |
|-----------------------------|----------------------|--------------------------|--------------------------|------------------|----------------|
| | Kshs 000 | Kshs 000 | Kshs 000 | Kshs 000 | Kshs 000 |
| At 30 June 2021 | | | | | |
| Trade payables | 84,185 | 5,912 | 2,725 | 592 | 93,414 |
| Provisions | 961 | - | - | 1,922 | 2,883 |
| Deferred income | 79,685 | - | - | - | 79,685 |
| Employee benefit obligation | 19,556 | - | - | - | 19,556 |
| Total | 184,387 | 5,912 | 2,725 | 2,514 | 195,538 |
| At 30 June 2020 | | | | | |
| Trade payables | 49,852 | 55,772 | 3,195 | 1,679 | 110,498 |
| Provisions | 961 | - | - | 961 | 1,922 |
| Deferred income | 94,696 | - | - | - | 94,696 |
| Employee benefit obligation | 19,014 | - | - | 1,972 | 20,986 |
| Total | 164,523 | 55,772 | 3,195 | 4,612 | 228,102 |

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices

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

| | Ksh | Other currencies | Total |
|---|-----------------|-----------------------------|-----------------|
| | Kshs 000 | Kshs 000 | Kshs 000 |
| At 30 June 2021 | | | |
| Financial assets | | | |
| Cash | 90,122 | 6,130 | 96,252 |
| Debtors | 126,921 | 14,018 | 140,939 |
| Total financial assets | 217,043 | 20,148 | 237,230 |
| Financial Liabilities | | | |
| Trade and other payables | 111,832 | 2,125 | 113,957 |
| Total financial liabilities | 111,832 | 2,125 | 113,957 |
| Net foreign currency asset/(liability) | 105,198 | 18,023 | 123,273 |

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.

| | Ksh | Other currencies | Total |
|---|-----------------|-----------------------------|-----------------|
| | Kshs 000 | Kshs 000 | Kshs 000 |
| At 30 June 2020 | | | |
| Financial assets | | | |
| Cash | 29,789 | 1,704 | 31,493 |
| Debtors | 104,028 | 28,618 | 132,646 |
| Total financial assets | 135,521 | 30,322 | 164,139 |
| Financial Liabilities | | | |
| Trade and other payables | 130,501 | 983 | 131,484 |
| Total financial liabilities | 130,501 | 983 | 131,484 |
| Net foreign currency asset/(liability) | 5,020 | 29,339 | 32,655 |

Foreign currency sensitivity analysis

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

Foreign currency sensitivity analysis (Continued)

| | Change in currency rate | Effect on Profit before tax | Effect on equity |
|-------------|------------------------------------|--|-----------------------------|
| | Kshs 000 | Kshs 000 | Kshs 000 |
| 2021 | | | |
| USD | 10% | ±1,802 | ±1,802 |
| 2020 | | | |
| USD | 10% | ±2,934 | ±2,934 |

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 1.8M (2020: Kshs 2.9M). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 0.9M (2020 – KShs1.4M)

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iv) Capital Risk Management

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

| | 2020-2021 | 2019-2020 |
|---|------------------|------------------|
| | Kshs 000 | Kshs 000 |
| Revaluation reserve | 451,194 | 451,194 |
| Retained earnings | 760,550 | 770,778 |
| Total funds | 1,211,744 | 1,221,972 |
| Total borrowings | 210,825 | 239,368 |
| Less: cash and bank balances | (96,252) | (31,493) |
| Net debt/(excess cash and cash equivalents) | 114,573 | 207,875 |
| Gearing | 0.09 | 0.17 |

33 RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

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| | 2020-2021 | 2019-2020 |
|--|------------------|------------------|
| | Kshs 000 | Kshs 000 |
| Transactions with related parties | | |
| a) Grants from the Government | | |
| Grants from National Govt | 200,000 | 190,000 |
| Total | 200,000 | 190,000 |
| b) Key management compensation | | |
| Directors' emoluments | 29,750 | 33,856 |
| Compensation to the CEO | 5,947 | 4,685 |
| Compensation to key management | 12,636 | 10,701 |
| Total | 48,333 | 49,242 |

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR
RECOMMENDATIONS**

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved /Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|--|---|---|--|
| | Lack of ownership titles for parcels of land in Muguga, Nakuru and Kitale. Large part of land in Kitale is in the hands of grabbers | <p>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.</p> <p>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.</p> | Prof. Theophilus M. Mutui Managing Director | Not resolved by the date of submitting this report to the Office of the Auditor General | Not possible to project due to the fact that there are other key stakeholders involved in the process. |

**Managing Director
Prof. Theophilus M. Mutui**

Date: 4/7/2022

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APPENDIX II: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | | | |
|--|--|----------------------------|----------------------|------------|
| Break down of Transfers from the State Department of Agricultural Research | | | | |
| FY 19/21 | | | | |
| a. Recurrent Grants | | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (Kshs)</u> | |
| | | 20-08-20 | 5,833 | FY 2020/21 |
| | | 10-09-20 | 5,833 | FY 2020/21 |
| | | 05-10-20 | 5,833 | FY 2020/21 |
| | | 12-11-20 | 17,500 | FY 2020/21 |
| | | 08-02-21 | 17,500 | FY 2020/21 |
| | | 17-05-21 | 147,500 | FY 2020/21 |
| | | <u>TOTAL</u> | 200,000 | |