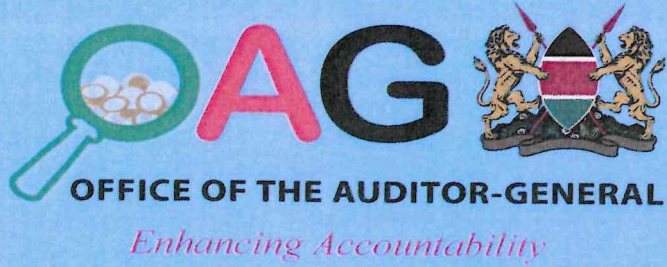


REPUBLIC OF KENYA



REPORT

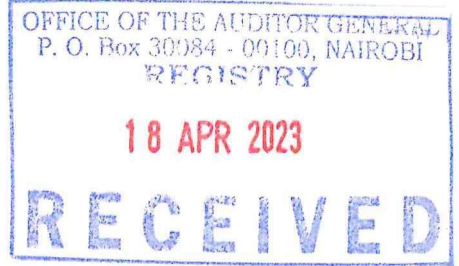
OF

THE AUDITOR-GENERAL

ON

AGRICULTURE AND FOOD AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2022**



AGRICULTURE AND FOOD AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2022

**Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2022.**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Agriculture and Food Authority (AFA) is a state corporation established through an Act of Parliament specifically, under section 3 of the Agriculture Fisheries and Food Authority Act of 2013 and amended by Statute law (Miscellaneous Amendment) Act 2016 dated 26/4/2016 which changed the name to Agriculture and Food Authority (AFA).

The Act consolidates the laws on the regulation and promotion of agriculture and makes provision for the respective roles of the National and County Governments in Agriculture and related matters.

Vision, Mission and Core Values

Vision:

“To be a World Class Regulator in the Agriculture Sector”

Mission:

“To sustainably develop and promote scheduled crops value chains through effective regulation for economic growth and transformation”

Motto:

“Our Crops, Our Wealth”

Core Values:

“Professionalism; Integrity; Customer focus; Teamwork; and Innovativeness”

(b) Principal Activities

The Agriculture and Food Authority is mandated to carry out the following functions:

- Administer the Crops Act, in accordance with the provisions of the AFA and Crops Acts;
- Promote best practices in, and regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural and aquatic products excluding livestock products as may be provided for under the Crops Act;
- Collect and collate data, maintain a database on agricultural products excluding livestock products, documents and monitor agriculture through registration of players as provided for in the Crops Act and the Fisheries Act;
- Determining the research priorities in agriculture and to advise generally on research thereof;
- Advise the national government and the county governments on agricultural levies for purposes of planning, enhancing harmony and equity in the sector;
- Carry out such other functions as may be assigned to it by the AFA Act, the Crops Act, and any written law while respecting the roles of the two levels of Government

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(c) Key Management

The Agriculture and Food Authority's day-to-day management is under the following key organs:

Director General
Management

(d) Fiduciary Management

The key management personnel who held office during the period starting from 1st July 2021 to 30th June 2022 and who had direct fiduciary responsibility were:

MANAGEMENT		
No.	DESIGNATION	NAME
1	Acting Director General	Beatrice Nyamwamu
2	Director - Horticultural Crops Directorate	Benjamin Tito
3	Director - Nuts and Oil Crops Directorate	Grace Kyallo
4	Director - Fibre Crops Directorate	Solomon Odera
5	Director - Coffee Directorate	Enosh Akuma
6	Director - Food Crops Directorate	Milton Munialo
7	Director– Miraa, Pyrethrum & other Industrial Crops Directorate	Felix Mutwiri
8	Director - Sugar Directorate	Willis Audi
9	Acting Director -Finance	Elias Kiragu
10	Director - Corporate Planning, Strategy and Enterprise Risk Management	Jason Mugo
11	Director -Internal Audit	Isaac Meto
12	Director –Legal Affairs	Andrew O. Osodo
13	Director -Human Resource	Kibwana Mataka
14	Deputy Director-Corporate and Communications	Christine Chesaro
15	Acting Deputy Director -Supply chain	Mary Mkamburi
16	Acting Deputy Director –ICT	Stephen M. Wanjala

(e) Fiduciary Oversight Arrangements

Parliamentary Committee Activities

The Public Investment Committee is responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit.

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Public Procurement Oversight Authority (PPOA)

Oversees all procurements by ensuring that the Authority follows procurement laws and regulations set to ensure transparency and value for money in procurement of goods and services.

Office of the Auditor General (OAG)

They audit and report on the management of public resources held by the Authority with an objective of improving service delivery to the Kenyan people.

(f) Entity Headquarters

Agriculture and Food Authority
P.O. Box 37962-00100
Tea House, Naivasha Road
Nairobi, Kenya

(g) Entity Contacts

Agriculture and Food Authority Contacts
P.O. Box 37962-00100
Telephone: (254) 722200556/
E-mail: info@afa.go.ke
Website: www.afa.go.ke

(h) Entity Bankers

1. Kenya Commercial Bank
Kencom House, Moi Avenue
P.O. Box 48400
GPO 00100
NAIROBI, KENYA
2. National Bank of Kenya
Harambee Avenue Branch
P.O. Box 41862
GPO 00100
NAIROBI, KENYA
3. Citibank N.A
Citi Bank House Upper Hill
P.O. Box 30711
NAIROBI, KENYA

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4. CFC Stanbic Kenya
CFC Stanbic Centre, Upper Hill
P.O. Box 30711
NAIROBI, KENYA

5. Co-operative Bank of Kenya
Co-operative Bank House
P.O. Box 48231
GPO 00100
NAIROBI, KENYA

6. Absa Bank
Absa Bank Kenya PLC Headquarters
P.O. Box 30120
GPO 00100
NAIROBI, KENYA

7. Standard chartered Bank
Stanbank House, Moi Avenue
P.O. Box 30001
NAIROBI, KENYA

(i) Independent Auditors

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

(j) Principal Legal Adviser




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

2. THE BOARD OF DIRECTORS

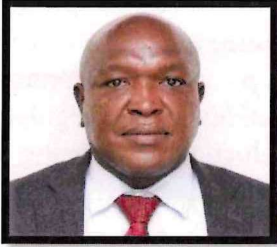


The Authority did not have a Board of Directors, however the operations of management in the financial year 2021/22 were undertaken by the management in consultation with the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Cooperatives.

3. MANAGEMENT TEAM



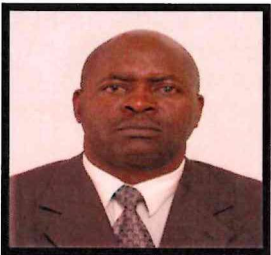
During financial year ended 30th June 2022, the following was the management team who oversaw operations of the Authority: -

STAFF DETAILS	RESPONSIBILITY AREA
<p>Beatrice Nyamwamu</p>  <ul style="list-style-type: none"> • Master of Science in Agricultural Resource Management (U.O.N) • Bachelor of Science in Agriculture (U.O.N) • Strategic Leadership Development Programme (KSG) • Vast knowledge and experience in Public Policy and Agriculture legislation • Currently a PhD student in Food Safety (JKUAT) 	<p>Acting Director General</p> <p>Responsible for the strategic direction and the day-to-day management of the Authority. The Director General is in charge of the exercise, discharge and performance of its objectives, functions and duties, and the general administration of the Authority.</p>
<p>Solomon O. Odera</p>  <ul style="list-style-type: none"> • Bachelor of Science in Business Administration (Accounting and Financial Management) • Associate, Institute of Bankers (AIB) 	<p>Director–Fibre Directorate</p> <p>Responsible for administration of the Crops Act in relation to Fibre and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Enosh O. Akuma</p> 	<p>Director - Coffee Directorate</p> <p>Responsible for the Administration of the Crops Act, 2013 and its subsidiary legislation in relation to the Coffee Industry and to promote best practices in, and regulate the production, processing, marketing,</p>

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<ul style="list-style-type: none"> • MSC in Economics and Coffee Science • Master’s Degree in Business Administration • Bachelor of Science Degree in Agricultural Engineering 	<p>transportation and warehousing of the same.</p>
<p>Benjamin Tito</p>  <ul style="list-style-type: none"> • MSc, in Agricultural Production Chains Management from Van Hall Larenstein University of Applied sciences, The Netherlands. • Bachelor of Science degree in Horticulture from (JKUAT); • Diploma in Horticulture (JKUAT); 	<p>Director- Horticulture Directorate</p> <p>Responsible for administration of the Crops Act in relation to Horticultural Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Milton Munialo</p>  <ul style="list-style-type: none"> • Master Science in Agricultural and Rural Development (Agronomy Option) • Bachelor’s degree (Horticulture) • Diploma (Forestry) from Egerton University 	<p>Director- Food Directorate</p> <p>Responsible for administration of the Crops Act in relation to Food Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>
<p>Willis Magak Audi</p>  <ul style="list-style-type: none"> • Master of Science in Horticulture (Egerton) • Bachelor of Science in Horticulture (Egerton) • Certificate in Planning and Designing of Agricultural Statistics for Policy and Decision making- Tsukuba/Japan • Certificate in Agricultural Trainings for African officials, Nanging University, China. • Member of Kenya Society for Agricultural Professionals 	<p>Director – Sugar Directorate</p> <p>Responsible for administration of the Crops Act in relation to Sugar Crop development, promotion and regulation. The Directorate promotes best practices in regulating the production, processing, marketing, grading, storage, collection, transportation and warehousing of the sugar crops and their products</p>

<p>Felix Mutwiri</p>  <ul style="list-style-type: none"> • Masters in Project Planning and Management (UoN, Nairobi) • Bachelors of Science in Agriculture Economics (Egerton University) • Certificate in Advanced Strategic Management (Global Leadership Consultancy and Professional Edge-Nairobi) • Member of Society of Crop Agribusiness Advisors of Kenya (SOCAA) 	<p>Acting Director – Miraa, Pyrethrum and other Industrial Crops Directorate</p> <p>Responsible for administration of the Crops Act in relation to Miraa, Pyrethrum and Other Industrial Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage,</p>
<p>Grace Kyallo</p>  <ul style="list-style-type: none"> • MSc in Horticulture, University of Nairobi (UON), Kenya • BSc in Horticulture, Egerton University, Kenya • Regional Training Course on Area-Wide Integrated Fruit Fly Management, Mauritius • Management of Agriculture Extension Programs by Devolved government at JICA Kansai, Japan • Postharvest Technology certificate, UC Davis, California, USA 	<p>Director – Nuts and Oil Crops Directorate</p> <p>Responsible for administration of the Crops Act in relation to Nuts and Oil Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same</p>

<p>Andrew M. O. Osodo</p>  <ul style="list-style-type: none"> • Master of Business Administration (MU), • Bachelor of Laws (UoN), • Post Graduate Diploma in Law (KSL) • Member of ICPSK and advocate of the High Court 	<p>Director -Legal Services</p> <p>Responsible for Board’s Secretariat and Legal Services</p>
<p>Elias K. Kiragu</p>  <ul style="list-style-type: none"> • Master of Business Administration, Finance (UoN); • Bachelor of Business Administration, Accounting (USIU) • Certified Public Accountant of Kenya, CPA(K) • Membership: Institute of Certified Public Accountants of Kenya, ICPAK; 	<p>Acting Director – Finance</p> <p>Responsible for Financial Accounting, Financial Management and Financial Reporting</p>
<p>Jason Mugo</p>  <ul style="list-style-type: none"> • Bachelor of Science, Statistics (University of Nairobi) • Certificate Project Cycle Management (KSG) • Certificate Strategic plan preparation and Implementation (GTI) • Certificate Enterprise Risk Management (KPMG) • Certificate Institutional/Enterprise Risk Management and Internal Controls in the Public Sector (Intelligent Africa Market & Training- S. Africa) 	<p>Director – Corporate Planning, Strategy and Enterprise Risk Management</p> <p>Responsible for Implementation, Monitoring and Evaluation of the Authority’s Performance under the Strategic Plan and Performance Contracts</p>

4. CHAIRMAN'S STATEMENT

The Authority did not have a Board of Directors in place in the financial year under review.

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

In pursuant to Section 3 of the AFA Act, No. 13 of 2013, the Agriculture and Food Authority presents to you the Annual Report and Financial Statements for the financial year 2021/2022, in which the Authority has elaborated interventions in the past twelve (12) months in its pursuit of regulating, developing and promoting scheduled crops for increased economic growth and transformation in the country.

During the year under review, the Authority continued to operate in exceptional circumstances occasioned by unfavourable weather conditions in various parts of the Country which resulted in reduced crop production that affected the food security and livelihoods of those engaged in the production system and value chain. The prevailing circumstances has seen the Authority reengineer its processes to make them more efficient with a competent and professional workforce to ensure that service delivery and mandate execution remained uninterrupted.

During the review period, the agriculture sector remained the dominant sector, accounting for about 22.4 per cent of the overall GDP in 2021. The sector recorded mixed performance during the period. The sector recorded a contraction of 0.1 per cent in 2021 compared to a growth of 5.2 per cent in 2020. In the review period, performance was attributed to erratic and poorly distributed long rains as well as inadequate short rains. Aggregate maize production decreased from 42.1 Million bags in 2020 to 36.7 Million bags in 2021. Coffee production declined by 6.0 per cent from 36.9 thousand tonnes in 2019/20 to 34.5 thousand tonnes in 2020/21 crop year. However, the volume of sugar cane deliveries increased from 6.8 Million tonnes in 2020 to 7.8 million tonnes in 2021, largely attributed to improved cane availability in most of the sugar zones. The volume of horticultural exports increased by 4.5 per cent from 313.7 thousand tonnes in 2020 to 405.5 thousand tonnes in 2021. Therefore, overall value of marketed agricultural production increased by 4.3 per cent from Kshs. 505.3 Billion in 2020 to Kshs. 527 Billion in 2021 according to Economic Survey, 2022.

In the Financial Year 2021/2022, a budget of Kshs. 2.45 Billion was approved for use by the Authority for implementation of core mandate activities and operations. Out of this amount, the Authority allocated at total of Kshs. 362.3 Million for the implementation of the core mandate activities as follows; Regulation and Compliance for Kshs. 146.9 Million, Technical and Advisory for Kshs. 114.8 Million and Market Research & Development for Kshs. 100.5 Million. In addition, a total of Kshs. 2.09 Billion was also approved for implementation of various projects as follows; Sugar Stimulus reforms programme for Kshs. 1.92 Billion, Kshs 1.5 Billion for payments of rehabilitation of Sugar mill and farmers arrears and Ksh 442 million for the Cane Testing Units Project, Cotton Revitalization Program for Kshs. 75 Million and Farmer Registration for Kshs. 100 Million. Under the Sugar Stimulus Programme, Ksh.700 Million was allocated for paying for farmers' arrears while Ksh.800 Million was for maintenance of the following government owned sugar mills; Chemelil, Muhoroni,

Nzoia and Sony. The Kshs. 700 Million has been paid to farmers while Kshs. 420 million has been utilized to carry out part of maintenance works at the sugar mills which have now resumed operations. During the period under review, the Authority continued enforcement of the regulations that were gazetted in the previous year and undertook programmes to promote production and productivity of various scheduled crops in line with its mandate. In addition, the Authority has finalised on Miraa regulation and has developed draft regulations on Bixa. In undertaking its mandate on promotion, the Authority's activities centred on developing strategies for market exploration and expansion for scheduled crops produce and products; capacity building of counties and stakeholders on market access and value addition opportunities. The Authority also facilitated various stakeholders to participate at local, regional and international exhibitions and expos to market their produce and products.

Towards the achievement of the Big 4 Agenda, the Authority implemented several programmes and activities through its directorates. These included capacity building of counties and stakeholders on the various scheduled crops value chains, distribution of seedlings and establishment of demonstration plots and model nurseries. In furtherance of this and based on the stakeholders needs and expectations, the Authority implemented various projects aimed at improving productivity and quality of scheduled crops and produce and enhancing delivery on the regulatory mandate. These included the Cotton Revitalization Project that was aimed at improving access to cotton production inputs through distribution of seeds and pesticides to cotton growers. In the Sugar Stimulus Project, funds were allocated towards clearing farmers' arrears and for maintaining of four (4) government owned sugar mills that have now resumed operations. Under the Farmer Registration Programme, the Authority engaged a consultant to undertake farmer registration, value chain mapping of key food crops and conduct capacity building of counties and stakeholders. A total of 55,522 farmers were registered through live Farmer Registration System. Value chain mapping for Irish potatoes, wheat, Maize and Rice was carried out across 11 counties.

It is noteworthy that the Government of Kenya and The International Fund for Agriculture Development (IFAD) also signed an agreement of a grant of Kshs. 101.5 Million to revitalize Irish potato production in support of rural small-scale Irish potato farmers that had been affected by the COVID-19 pandemic. The project involved distribution of subsidized seeds and inputs targeting 8,000 potato growers in the counties of Meru, Nyandarua and Elgeyo Marakwet. As at the end of the financial year, a total of 4,962 farmers had received the subsidized inputs.



.....
BEATRICE NYAMWAMU
ACTING DIRECTOR GENERAL

6. STATEMENT OF AGRICULTURE AND FOOD AUTHORITY’S PERFORMANCE
AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity’s performance against predetermined objectives.

The Agriculture and Food Authority (AFA) has three strategic pillars and objectives within its Strategic Plan for the period 2017/2018- 2021/2022. These strategic pillars are as follows:

- Pillar 1: Operational Excellence
- Pillar 2: Stakeholder Focus
- Pillar 3: Transformational Regulation

AFA develops its annual work plans based on the above three pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2021/2022 period for its three (3) strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Operational Excellence	Strengthening AFA’s institutional framework to effectively deliver on its mandate	<ul style="list-style-type: none"> - Enhanced AFA Budget - AFA risk Framework updated - Approved Training Plan 	<ul style="list-style-type: none"> - Develop and enhance AFA’s capacity to deliver on its strategic objectives and activities - Development of AFA risk management framework - Set up an independent internal audit function to provide oversight and report to the Board - Adopt prudent financial management practises - Formulate a comprehensive stakeholder engagement strategy 	<ul style="list-style-type: none"> - Report on the Impact of capacity development initiatives - AFA risk profile - Quarterly risk assessment reports - Quarterly compliance reports. - Prudent financial management practices on policies and procedure. - Formulated a county engagement framework with counties of interest supported with stakeholder

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				participatory forums across all the value chains
Pillar 2: Stakeholder Focus	-Boost agricultural growth and productivity for food & nutrition security	<ul style="list-style-type: none"> - Capacity needs assessment reports - Signed collaboration frameworks and Memoranda of Understanding (MOUs) - Number of county agricultural officers trained - Number of seedlings produced and distributed - Establishment of Coconut Dwarf Variety Seed Garden for Future Hybridization - Establishment of high quality planting materials demonstration plots 	<ul style="list-style-type: none"> - Undertake technical capabilities of Counties - Distribution of quality planting materials - Development and implementation of collaboration frameworks and Memoranda of Understanding (MOUs) with various stakeholders in delivering the mandate of the organization. - Propagate 2,000 seedlings in the identified community nurseries - Promotion of Access to Clean, High Quality Cassava and Sweet Potato Planting materials 	<ul style="list-style-type: none"> - Counties capacity needs assessments - Capacity building of County agricultural staff on Good Agricultural Practises (GAPs) and marketing aspects. <p>Quality planting materials /seedlings distributed for Pyrethrum (75 Million) Coconut (18,391), Cashew nuts (40,938), Macademia (50,000) & Robusta Coffee (50,000 seedlings in 46ha); Set-up 2 model nurseries for Embu (Cashewnuts-5000) & Kericho (Macademia-5000); Established sugarcane nursery A (3 hectares) was harvested for establishment of nursery B totalling 30 hectares; establishment of 2 demonstration plots in Miyare ATC and Muhoroni Sugar</p>

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				<p>Company (1 acre each)</p> <ul style="list-style-type: none"> - 5,000 farmers received certified Irish Potato seeds - Demonstration plots for Cassava, Irish potato and sweet potato were established for technology transfer and access to clean planting materials
	<ul style="list-style-type: none"> - Upgrading Kenya's agricultural value chains for job and income creation 	<ul style="list-style-type: none"> - Miwa Bora Mobile Applications - Number of stakeholders Sensitized 	<ul style="list-style-type: none"> -Development, implementation and dissemination of information on Miwa Bora an android based mobile application to stakeholders. -Build the capacity of County Agriculture staff and farmers on the management of selected pests of economic importance: Surveillance & Quarantine pests i.e. fruit fry (Drosophila Suzuki) in Mango and Avocado (False Codling Moth) -Capacity building of County staff on market access and Value addition opportunities 	<ul style="list-style-type: none"> - Management & surveillance on quarantine pests for better yield and market access. - Better access to Sugar industry information by stakeholders through Miwa Bora App. - Stakeholder awareness on the Miwa Bora mobile application
	<ul style="list-style-type: none"> - Enhance Market access and integration into global value chains 	<ul style="list-style-type: none"> - Flax and Sunflower value chain profiled - Bixa value chain mapped 	<ul style="list-style-type: none"> - Profiling of flax and sunflower value chain players - Undertake a domestic market survey for Cashewnut and macadamia 	<ul style="list-style-type: none"> - A profile of Flax and sunflower value chain players - Market survey report

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		<ul style="list-style-type: none"> - Market linkages - Market Research / Survey Report. - Increased domestic consumption of Coffee 	<ul style="list-style-type: none"> to identify market access gaps - Profiling and capacity building of Horticultural crops investors - Undertake domestic consumption campaigns in local universities and colleges 	<ul style="list-style-type: none"> - Value Chain Analysis reports for the priority sectors i.e. Bixa value chain mapped and implemented - Capacity building of Avocados, garden peas - Domestic consumption Campaigns were carried out at Kenyatta, Kabibii, Embu, JKUA, and Moi University on 27th and 28th January, 2022.
Pillar 3: Transformational Regulation	Establish standards and enforce regulations to ensure consumer protection, fair play and competitiveness	<ul style="list-style-type: none"> - Gazetted regulations - Implementation reports - Standards and Codes of Practise 	<ul style="list-style-type: none"> - Develop and harmonise policies and sector regulations - Review & Develop product standards and code of practices at each level of the chain - Development of the Miraa & Bixa regulations - Finalize and gazette of Irish Potato regulations - Quarterly & adhoc border points inspections and surveillance for traded scheduled crops products - Development and implementation of scheduled crops Standards and Codes of Practise 	<ul style="list-style-type: none"> - Gazettement of the sub-sector regulations (Coffee, Miraa, Sugar, Nuts & Oil Crops, Food Crops, Irish Potatoes & Horticulture) - Implementation of gazetted regulations reports - Draft Bixa regulations - Scheduled crops standards and Codes of Practise - Deployment of Crops Inspectors at major Border points

7. CORPORATE GOVERNANCE STATEMENT

The Corporate Governance defines the process and structure used to direct and manage the mandate of the Authority with the aim of ensuring and enhancing efficiency and accountability of the public resources to increase stakeholders' long-term value taking into account their interest and expectations. The Authority adheres and complies with Mwongozo, the Code of Governance for State Corporations, and all relevant legislations including the provisions of the Constitution of Kenya, 2010, The AFA Act 2013 and the State Corporation Act.

The Board of Directors are independent and adhere to the highest standards of corporate governance and ethics as well as ensuring that compliance with all applicable laws under the Authority. The Board of Directors are committed to ensuring that the Authority's mandate, roles and responsibilities to its stakeholders are fulfilled through corporate governance best practices. However, the Board of Directors for the Agriculture and Food Authority known as the Interim Management Committee was appointed by the Cabinet Secretary for Agriculture, Livestock and Fisheries on 7th November 2016 vide gazette Notice No. 9637 for a period of one year. The term of the Interim Management Committee expired in November 2017. Since the last appointment, the Authority has not had a Board of Directors in place to drive its Mandate. The Management of the Authority has been performing and handling Board of Directors related matters in consultation with the Parent Ministry of Agriculture, Livestock, Fisheries and Cooperatives.

Management has put in place policies, processes, systems and procedures to guide the operations of the Authority, which are frequently reviewed and updated to embrace the change in the operating environment and ensure best practices in all sectors. In this respect, Management confirms that the Authority complies with all relevant legislations and Government guidelines and directives and Mwongozo, the Code of Governance for State Corporations. In conclusion, Management recognizes the fundamental role of corporate governance in enhancing the culture and performance of the Authority and further, that high standards of corporate governance are a key contributor to the long term success of the Authority.

8. MANAGEMENT DISCUSSION AND ANALYSIS

In the financial year 2021/2022, the Authority allocated at Kshs. 362.3 Million for the implementation of the core mandate activities as follows; Regulation and Compliance for Kshs. 146.9 Million, Technical and Advisory for Kshs. 114.8 Million and Market Research & Development for Kshs. 100.5 Million.

The Authority is a contributing Agency towards the Big 4 Agenda under the Food and Nutrition Security as well as an enabler in the Manufacturing Pillar through various projects, programs and activities. The Authority has achieved several milestones in implementing the Big 4 Agenda programs and programmes under its mandate through the various directorates as follows;

Coffee Directorate, in collaboration with counties undertook capacity building of agricultural staff and stakeholders to support coffee production and expansion in the counties. The directorate also undertook capacity building for 350 stakeholders and county staff on packaging, branding, labelling and e-marketing to enhance value addition of coffee. Further, the Directorate supported counties in the lake region i.e. Siaya, Homa Bay, Kisumu, Bungoma and Busia with Robusta coffee seedlings and to other Counties i.e. Nyamira and Kericho with Arabica Coffee seedlings.

During the period under review, Sugar Directorate committed to support the Big 4 Agenda on Food and Nutrition security and as enabler to the manufacturing pillar by facilitating increase in sugarcane production and productivity through enhancing access to clean seed cane by growers, promoting adoption of new high yielding cane varieties and good agricultural practices; and capacity building of Counties and seed cane operators on clean seed cane production. The directorate facilitated the establishment of 2 demonstration plots in Miyare ATC and Muhoroni (1 acre each) on high sucrose content varieties.

The Horticultural Crops Directorate undertook several activities aimed at increasing fruit production and quality. To enhance increasing uptake of clean planting material, the directorate trained county agricultural extension officers and nursery operators on production in 32 counties. In addition, mango and avocado fruit production and productivity of quality has been affected by quarantine pests (Fruit flies and False Codling Moth). Towards addressing this challenge, the directorate undertook training of agricultural extension officers and farmers on surveillance and management of the two pests in 10 counties. The directorate also conducted capacity building of county agricultural extension officers, farmers and marketing agents on harvesting and post-harvest handling of avocado and mangoes in 6 counties to reduce post-harvest losses.

The Nuts and Oil Crops Directorate activities were aimed at increasing production of nuts and oil crops (Coconut, cashew and Macadamia) from 140,958 MT to 697,221 MT by 2022. Towards this end, the following activities were achieved during the year. Distribution of 6,391 coconut and 35,938 cashew seedlings to farmers in Coastal and Lower Eastern Regions, support to 14 community nurseries that produced 62,000 seedlings during the year and facilitating planting of 1,000 coconut and cashew seedlings in 17 schools in 3 counties (Kilifi County, Tana-River County and Lamu County). The total area established under nuts and oil crops was 52 Hectares for coconut and 538

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Hectares for cashew nuts. Two model nurseries for cashew nuts and Macadamia in Embu and Kericho, respectively were established. Capacity building was conducted for 64 agriculture officers and nursery operators from 5 counties (Kericho, Embu, Taita Taveta, Kitui and Nyamira Counties).

Additionally, the following amounts were allocated for projects implemented by the Authority; Kshs. 75 million for the Cotton Revitalization programme, Kshs. 1.92 Billion for Sugar Stimulus Programme and Kshs. 100 million for farmers' registration. The Cotton Revitalization Project is aimed at improving cotton productivity through distribution of hybrid seeds and pesticides to farmers and capacity building of counties on cotton production. During the year under review 7.5MT of hybrid cotton seeds and 30MT of fuzzy seeds were procured and distributed to farmers for planting using the first tranche of the funds released to Fibre Crops Directorate. The second tranche of the funds was released in May, 2022 and will be used to procure 30MT of seeds and 5,700 litres of pesticides. About Kshs. 9 million will be utilized by Kenya Agriculture and Livestock Research Organization to produce cotton seeds while Kshs. 2million will be used for capacity building activities.

Under the Sugar Stimulus Programme, Kshs.700 million was allocated for paying for farmers' arrears while Ksh.800 million was for maintenance of the following government owned sugar mills; Chemelil, Muhoroni, Nzoia and Sony. The Kshs. 700 million has been paid to farmers while Kshs. 420 million has been utilized to carry out part of maintenance works at the sugar mills which have now resumed operations. The remaining maintenance works will be completed in the current financial year.

The major challenges affecting mango production in Kenya includes the prevalence of pests and diseases, notably the mango fruit fly pest, which has affected mango exports to the European market and UK. To address this challenge, AFA in conjunction with relevant Government Agencies and the private sector have come up with various mitigation measures such as creation of areas of low pest prevalence and capacity building farmers on the pest management. In addition, the Authority commissioned for construction to put up a common user Hot Water Treatment (HWT) facility for mangoes. This is a facility that will entail pest management through dipping of freshly harvested fruits in heated water for a set time. This will enhance market access to the EU and UK markets, increased foreign exchange earnings, increased household income for farmers and other value chain players as well as contribute to food security for the farmers.

One of the functions of AFA as per the AFA Act,2013 is to collect, collate and analyse data and maintain database on agriculture as well as to register farmers and dealers in scheduled crops. Utilizing the Ksh.100 million allocated for farmer registration, the Authority engaged CPHRM group to undertake farmer registration, value chain mapping of key food crops and conduct capacity building of counties and stakeholders. To date a total of 55,522 farmers have been registered through live Farmer Registration System. Value chain mapping for Irish potatoes, wheat, Maize and Rice was carried out across 11 counties as follows.

- Maize - Transzoia, Uasin Gishu, Bungoma
- Irish Potatoes - Nyandarua, Nakuru, Elgeyo Marakwet, Bomet

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- Wheat - Narok, Nakuru, Meru, Uasin Gishu
- Rice - Kirinyaga, Kisumu, Busia

During the period under review, the Government of Kenya and The International Fund for Agriculture Development (IFAD) also signed an agreement of a grant of Kshs. 101.5 Million to revitalize Irish potato production in support of rural small-scale Irish potato farmers but received Kshs 90.9 Million for Irish potato revitalization. The project is targeting distribution of subsidized seeds and inputs to 8,000 potato growers in the counties of Meru, Nyandarua and Elgeyo Marakwet. So far, a total of 4,962 farmers have received the subsidized inputs.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

As a state corporation, the Social Responsibility is one of the Authority's core values with a commitment of giving back to the community in line with national development strategies. The Authority's Corporate Social Responsibility policy is driven by the need to preserve the environment, and promote socio-economic development through sponsorship and participation in activities that enhance the livelihood of other members of the society. This also means a commitment to integrate responsible practices into daily business operations and as an indication to our stakeholders that the Authority cares about the community.

i) Sustainability Strategy and Profile

During the financial year 2021/22, the Authority was working towards developing a Sustainability Strategy, however, interventions to ensure sustainability were mainstreamed in AFAs enforcement of various regulations, policies and legislations governing the scheduled crops to ensure Good Agricultural and Manufacturing practices. The Authority undertakes routine monitoring of its flagship projects address emerging gaps through the support of management and ensure future sustainability of the projects.

ii) Environmental performance

Currently, the Authority does not have an Environmental Policy but ensures that full implementation of issued Governments guidelines are adhered to from time to time. Additionally, in light of the challenges presented by climate change, the Authority through its Technical and Advisory services is engaged in sensitisation and capacity building of counties on adopting Climate Smart Agriculture practices.

iii) Employee welfare

The Authority implements the various Human Resource guidelines in regard to the hiring of staff to fill vacant positions. The Human Resource Instruments currently in use were issued to the Authority by the Cabinet Secretary in 2014 upon the establishment of AFA. These include the Organization Structure, Human Resource Policy and Regulations Manual. In addition, the Authority borrows heavily from the PSC Human Resource Manuals, PSC Act and related Regulations. The authority has however faced a staffing shortage due to the lack of a board and has been engaging staff on temporary contracts to support the very needy areas through on boarding those who have been on internship.

The Authority in an effort to improve staff skills and competencies has put in place a Training Policy, which provides the structure for training approvals. This structure includes a Training Committee with representation from Directorates and all functional Heads. The Committee is further supported by sub-committees from each Directorate and through these sub-committees, the Authority undertakes annual training needs assessment (TNA) in each Financial Year. The Performance Appraisal Process has incorporated as part of the training needs assessment element. In the training plan, the Authority has been able to build leadership, management, supervisory and technical capacity of staff in the various functions.

During the financial year 2021/22, the Authority undertook training for 587 staff members which translates to 94.68 % percentage implementation rate on training programs across departments and

directorates in various disciplines. Miraa Pyrethrum and other Industrial Crops Directorate managed to train everyone in the Directorate and had a 100% implementation rate while Food Crops Directorate had the least implementation rate of 56.42%. Further to this, the Authority through Fibre Crops Directorate in partnership with the Indian MAHYCO Kenya Ltd undertook capacity building of 52 County Extension Officer in Embu, Kitui, Tharaka Nithi and Meru in technical aspects of Cotton Value Chain including BT Cotton technology and its stewardship aspects.

The Authority encourages staff members to join professional membership associations and facilitate the payment of annual subscriptions as well as support each member's professional body to attain CPD points earned during conferences, seminars, congresses and workshops.

iv) Health & Safety

The Authority recognizes that a healthy workforce contributes to the productivity of the organization. It therefore invests in the welfare of its employees through the provision of a Medical scheme that caters for all the medical needs of the employees and their immediate family members. Furthermore, the Authority has put in place Insurance cover for staff such as Group life cover, WIBA/GPA and Public Liability Cover. The Insurance cover is to address any illnesses, accidents or injuries which may arise in the course of their duty. The WIBA/GPA 24-hour cover comes into play to compensate the specific staff as provided in the WIBA Act.

The Authority has an OSH policy that guides in the undertaking of Safety and Health matters through the OSH Committee and sub-committees. The main objective of the OSH Policy is to ensure conducive work environment and free from injuries and accidents for all staff members in line with the Occupational Safety and Health Act, 2007. The Authority has appointed and undertaken annual training for the OSH Committee, First Aiders and Fire Marshalls to be equip with the necessary skills to execute their roles.

v) Youth, Gender and Vulnerable groups:

The Vision 2030 guided by the third Medium Term Plan (MTP III) under the Social Pillar is to ensure equity in access, control and participation in resource distribution for improved livelihood of Women, Youth and Vulnerable groups. It's on this backdrop that the Authority has initiated the following: -

- Improved access of youth and women in business opportunities (AGPO);
- Provided financial support to women groups to raise their incomes and reduce the gap in estimated earned incomes between men and women;
- Given priority to female employees in the public sector in order to attain at least 30 per cent representation in recruitment, promotion and appointment of women to all decision making levels;
- Mainstreamed gender in the Authority's activities.

vi) Market place practices-

a) Responsible competition practice.

The Authority ensures full compliance with the Competition Act No.12 of 2010 and collaborates with the Competition Authority of Kenya in ensuring effective competition in the markets in the event of any challenges. Additionally, AFA has displayed Customer Service Charter across all Directorates and Departments to address customer expectations. There is constantly monitoring of the Customer Service Charter to ensure full satisfaction of all stakeholders.

b) Responsible Supply chain and supplier relations

The Authority has sustained its efficient procurement processes in acquisition of goods, works and services. During the FY 2021/22, the Authority ensured that the Access to Government Procurement Opportunities (AGPO) was maintained slightly below the minimum 30% threshold as prescribed in the PPDA Act, 2015 and Regulations, 2020. The Authority awarded 28.2% of its total procurement actual spent on tenders submitted to the special interest groups i.e. Youth, Women & PWD through AGPO.

The Authority ensures full compliance and adherence to the Public Procurement and Disposal Act in addition to other supporting regulations/legislation. The Supply Chain department undertakes constant training to ensure compliance and update on best public procurement and disposal practices. In addition, the Supply Chain department honours all suppliers' contracts through prompt payment of service and goods delivered. The Supply Chain department promptly addresses any issues raised by the Public Procurement Authority in the course of discharging their duties. The Authority also undertakes regular capacity building of the public of the procurement processes and available opportunities.

c) Responsible marketing and advertisement

The Authority has adopted and implemented a robust corporate risk management framework that is constantly update through monitoring and evaluation. This tool enables the Authority stay on course with best ethical practices by addressing and mitigating risks constantly. The Authority expeditiously resolves customer complaints through a complaints handling procedure that is displayed in the AFA website and regional/field offices.

d) Product stewardship

AFA safeguards consumer interests through the gazettelement and enforcement of Industry Codes of Practice and product standards.

vii) Corporate Social Responsibility / Community Engagement

To facilitate execution of CSR programmes, AFA has developed a CSR Policy that is aligned to the Vision 2030. The Policy's key focus is on the following areas: Community Development, Education, Environmental Management, National disaster and Humanitarian support.

Education: In recognition that education is the bedrock of the country's economy, AFA supports education through support to schools and individual needy students. This serves to motivate students to strive for excellence and to provide an opportunity to strategically create awareness about AFA and build goodwill among the younger generations. During the financial year, the Authority undertook three CSR activities to promote education. These include;

1) Donation to Precious Blood Secondary - Kilungu.

The Authority received a request from Precious Blood Secondary – Kilungu for financial support towards the expansion and improvement of student's agricultural garden. This was intended to help students learn agriculture practically and increase vegetable produce for their own consumption. Towards this, the authority donated Ksh. 200,000.00.

2) Donation to Kirigara Girls Secondary School

The Authority received a request Kirigara Girls Secondary School for the purchase of new beds. The School in support of the Government's 100% transition admitted more students, since the construction of a new dormitory was underway. After completion of the dormitories, the beds were inadequate as the need for support. Towards this worthy cause, the Authority donated Kshs. 200,000.00.

Environment & sustainable agriculture: AFA recognizes the need to promote sustainable agriculture and safeguard the environment and natural resources. The Authority has developed an environmental health and safety services policy, mobilized staff to engage in environment and natural resources preservation projects in the community

3) Donation to Kemeliet Primary School

Kemeliet primary school submitted a request for the improvement of the school infrastructure. The school was planning to replace replacing leaking roofs as part of its effort to improve the living conditions of the students.

4) The King Primary School – Moyale

AFA received a request from The King Primary School for the support of the students 4K Club. The school established an active 4K club in line with competency based curriculum, to enable the students develop a vegetable garden. Since frequent access to water is a challenge in the region, the school requested Kshs. 250,000.00 enable them purchase water tanks and irrigation facilities. Towards this, the Authority donated Ksh. 250,000.00

5) Muhoroni Success Primary School

AFA received a request from Muhoroni Success Primary School to purchase a water tank and gutters for water harvesting. The school is supported by Muhoroni Sugar Factory which has lately faced financially challenges and consequently unable to fully meet the school's financial needs. In this regard, AFA donated Kshs. 150,000.00 to enable Muhoroni Primary School procure a 10,000.00 litre water tank and gutters.

Community outreach: Agriculture and Food Authority is committed to being a responsible corporate citizen through the support for appropriate non-political and non-sectarian projects and local charities both with financial and non-financial donations. We aim at supporting the creation of prosperous, educated, sustainable and healthy communities in the environments in which we operate. With a focus on education, health, Sports and the environment, we have developed targeted programmes for local communities, involving commercial sponsorship and significant employee engagement through direct involvement.

6) Jaldesa Widow Farmers Help Group

AFA has received a request from Jaldesa Widow Farmers Help Group for financial support towards enhancing their Nursery Seedlings Project among other agricultural activities. These are a group of widows who we established the group in order to support themselves financially by initiating farming activities. Having received a donation of a Greenhouse the group still faced challenges of water storage. Towards this, the Authority donated Ksh. 300,000.00

10. REPORT OF THE DIRECTORS

AFA management submits the annual report and financial statements for the year ended June 30, 2022 for audit. It comprises the performance and state of affairs of the Agriculture and Food Authority for twelve months in Accordance with the International Public Sector Accounting Standards and the Public Finance Management (PFM) Act, 2012.

i) Principal activities

The principal activities of the Authority are to develop, regulate and promote best practices in production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural crops as provided for under the Crops Act, 2013.

ii) Results

The results of the Agriculture and Food Authority for the year ended June 30, 2022 are set out on page 1 and 7 herein.

During the year under review, the Authority received a total revenue of Kshs. 4.35 Billion from Government grants and internally generated sources. From this revenue, the Authority applied Kshs. 4.02 billion giving a surplus of Kshs. 325.9 million. Included in revenue is an amount of Kshs 1.5 billion for Sugar Reform Project and Kshs 90.9 million for IFAD project which has not been fully disbursed to sugar cane farmers and factory rehabilitations as at the reporting date.

The Authority has a total asset of Kshs.15.53 billion and total liabilities of Kshs. 2.066 billion thus giving a net asset of Kshs 13.47 billion

iii) Directors

During year under review, the Authority did not have Board of Directors in place.

iv) Surplus Remission

In accordance with Regulation 219 (2) of the Public Financial Management 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. Agriculture and Food Authority did not make any surplus during the FY 2021-2022, this is explained under note No 31 of the financial statements.

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya, section 81 of the Public Financial Management Act, 2012 and section 69 of the Public Audit Act, 2015.

By order of Management

Name: Andrew O. Osodo
Corporate Secretary

Signature 

Date 15/4/23

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of Affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of Affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority 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 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

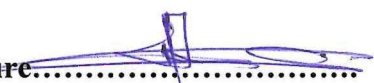
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

AFA's financial statements were approved by management on **29th September 2022** and signed on its behalf by:

Signature.....

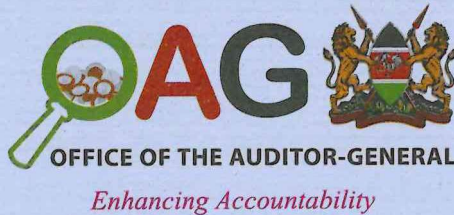
Name: Beatrice Nyamwamu
Acting Director General

Signature.....

Name: CPA Joseph W. Muigai
Director Finance

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REPORT OF THE AUDITOR-GENERAL ON AGRICULTURE AND FOOD AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

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 the 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

Adverse Opinion

I have audited the accompanying financial statements of Agriculture and Food Authority (AFA) set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Agriculture and Food Authority as at 30 June, 2022, 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 do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. The Statement of Cash flows

Review of the statement of cash flows revealed the following anomalies:

- i. The statement of cash flows reflects adjustments of surplus for the year in respect of transfers to Tea Board Kenya of Kshs.1,194,937,000 which includes transfer of reserve fund of Kshs.36,000,000. However, details supporting what the reserve funds relate to were not provided. In addition, no disclosure note explaining the adjustment was provided.
- ii. The statement reflects an adjustment to mortgage and car loan fund of Kshs.3,498,000 which Management has explained relates to an over-statement of interest income in the previous year. However, evidence of the overstatement was not provided. In addition, the mortgage and car loan fund financial statements reflects an adjustment of the same of Kshs.4,819,229 resulting in unexplained variance of Kshs.1,321,229.

In the circumstances, the accuracy of the statement of cash flows and the cash and cash equivalents balance for the year ended 30 June, 2022 could not be confirmed.

2. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 20(9) to the financial statements reflects an amount of Kshs.1,673,096,000 in respect of cash and cash equivalents. Review of the cash books, bank reconciliations statements and bank confirmation certificates revealed the following;

- i. Cash on call amount of Kshs.1,004,815,000 includes an amount of Kshs.480,000,000 held at a local bank whose bank confirmation certificate was not provided for audit review.
- ii. Fixed deposit amount of Kshs.240, 819,000 includes an amount Kshs.8,582,000 held in an escrow account. Management explained that a judgement releasing the money to the creditor was made on 8 November, 2017. It is not clear why

Management has not paid the amount to the creditor as per the court decision and why the amount is still reflected in the Authority's books.

- iii. Further, fixed deposits amount of Kshs.52,237,000 that had been placed in Euro Bank, which was placed under receivership in the 1990s has not been recovered since the collapse of the bank.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.1,673,096,000 as at 30 June, 2022 could not be confirmed.

3. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book value of Kshs.9, 574,474,000 and as disclosed in Note 24 to the financial statements. However, review of the records revealed the following unsatisfactory matters.

3.1 Unconfirmed Ownership of Property, Plant and Equipment

The balance includes the value of properties whose ownership had not been established as explained below:

- i. Land measuring 137.2 Ha out of the 236.35 Ha located in Thika Kiambu county bought with funds from the defunct Coffee Board of Kenya, was registered in the name of a former Chairman of Coffee Board of Kenya. No evidence was provided that ownership of the land has reverted to the Authority.
- ii. Land on which seven depots of the defunct Horticultural Crops Development Authority (HCDA) depots are located. Management has obtained ownership documents for only one parcel located in Kibwezi. In addition, one of the seven Depots located in Machakos County was taken over by the County Government of Machakos for office use in 2013 and is no longer accessible to HCDA staff and no evidence was provided that the county Government signed a lease agreement with the HCDA.
- iii. Two parcels of land valued at Kshs.1,280,000,000 relating to the former Horticultural Crops Development Authority. The parcels include a plot situated along Mombasa road, measuring 3.5 hectares valued at Kshs.692,000,000 which was allocated to a private developer despite the Authority having an allotment letter.
- iv. A parcel of land at the Jomo Kenyatta International Airport (JKIA) valued at Kshs.588,000,000 where the Horticultural Crops Directorate (HCD) is located.

3.2 Exclusion of Property, Plant and Equipment

The property, plant and equipment balance of Kshs.9,574,474,000 excludes the value of various assets as explained below:

- i. Ten (10) acres of land situated in Wundanyi, Taveta;
- ii. Land of undetermined acreage situated in Kitui valued at Kshs.36,600,000 allocated to the defunct Horticultural Crops Development Authority;

- iii. Land of undetermined acreage valued at Kshs.4,000,000 allocated to the defunct Cotton Board of Kenya;
- iv. Seven (7) acres of land in Mtwapa that was allocated to the defunct Kenya Coconut Development Authority by the defunct Kenya Agricultural Research Institute (KARI). In addition, the ownership had not been transferred by the KARI to the Authority by the time it ceased to exist upon the commencement of the Crops Act, 2013.
- v. Capital expenditure amount of Kshs.2, 289,347,764 incurred on the acquisition of eleven (11) Cane Testing Units and Laboratories in the period 2014 to 2018.
- vi. The property in Riverside Estate where the defunct Cotton Development Authority's head office was located.

3.3 Failure to Revalue Fully Depreciated Assets

The statement of financial position and as disclosed Note 23 to the financial statements reflects historical cost of property, plant and equipment of Kshs.11, 118,827,000. Review of the assets register revealed that assets with a historical cost of Kshs.1,021,007,000 have been fully depreciated assets and are still in use by the Authority. No explanation from Management has been given for failure to revalue the assets to reflect their fair values.

3.4 Logbooks in the Name of Defunct Institutions and Boards

The balance includes an amount of Kshs.25,612,000 relating to automobiles. Review of motor vehicle records held by the Authority revealed that on commencement of the Crops Act, 2013 on 1st August, 2014, the former regulatory institutions in the Agriculture Sector were merged into Directorates under the Authority. As reported in the previous year, the ownership documents of seventeen (17) motor vehicles are registered in the defunct institutions' names. Evidence of Management effort to register the vehicles in the Authority's name was not provided.

In the circumstances, the accuracy, completeness and ownership status of the reported property, plant and equipment net book value of Kshs.9,574,474,000 as at 30 June, 2022 could not be confirmed.

4. Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 21(a) to the financial statements reflects current portion of receivables from exchange transactions of Kshs.380,008,000. Included in the balance is rent debtors, trade debtors and other debtors balance of Kshs.77,701,227, Kshs.11,139,158 and Kshs.291,134,000 out of which amounts totalling Kshs.31,035,320, Kshs.10,943,484 and Kshs.41,369,807, respectively, had been outstanding for more than one year and no effort has been made to collect the debts.

Further, the statement of financial position and as disclosed in Note 21(b) to the financial statements reflects long-term receivables from exchange transactions of Kshs.3,112,161,000. The amount comprises of levy arrears and the Sugar Development

Fund (SDF) of Kshs.2,883,039,009 and Kshs.229,121,576, respectively, that has been outstanding for more than two years. No explanation was provided by Management for the failure to collect these debts and no provision for doubtful debts was provide in case they become un-collectible.

In the circumstances, the accuracy and completeness of receivables from exchange transactions amount of Kshs.3,492,169,000 could not be confirmed.

5. Unsupported Provisions

The Statement of financial position and as disclosed in Note 30 to the financial statements reflects non-current provisions of Kshs.326,820,390 The amount relates to long service leave no taken. Management did not provide a policy document on the provision and supporting schedule to support the amount.

In addition, the statement of financial position and as disclosed in Note 28 to the financial statements reflects current provisions amounts of Kshs.66,670,000 out of which Kshs.44,395,316 was not supported with details of beneficiaries.

Further, the statement of financial position and as disclosed in Note 29 to the financial statements reflect employee benefits obligations of Kshs.785,789,000. However, the balances were not supported with details of the employees, that is, name, description and amount.

In the circumstances, the accuracy, completeness and fair measurement of the provisions totalling Kshs.1,179,279,390 as at 30 June, 2022 could not be confirmed

6. Transfers to Tea Board of Kenya

The statements of changes in net assets reflects transfers to Tea Board of Kenya amounting to Kshs.2,203,888,000. Further, the statement of financial position reflects trade and other payables of Kshs.862,880,000 which as disclosed in Note 26 to the financial statements includes Tea Board of Kenya Mortgage and Car Loan Fund balances of Kshs.108,802,000 and Kshs.50,000,000, respectively. However, detailed schedules of assets and liabilities to support the balances were not provided for audit.

In the circumstances, the accuracy and completeness of the transfers of Kshs.2,203,888,000 to Tea Board of Kenya for the year ended 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Agriculture and Food Authority (AFA) 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 adverse 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 Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues. Further, some unresolved prior year issues are not disclosed under the progress on follow-up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Investments in Fixed Deposits

The statement of financial position and as disclosed in Note 20(a) to the financial statements reflects cash and cash equivalents amount of Kshs.1,673,100,000. The amount includes fixed deposits of Kshs.240,819,000 held in commercial banks. Management has not provided approval of The National Treasury to invest surplus funds in commercial banks contrary to the provisions of The National Treasury Circular Ref. DMD No. 4/02 'H' (63) of 26 March, 2018 which directed all state corporations and semi-autonomous Government agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries and all funds previously held in fixed deposits in commercial banks and financial institutions were not to be rolled over but retired and invested in Treasury Bills and Bonds.

In the circumstances, Management was in breach of The National Treasury directive.

2. Irregular Acting Appointments

The statement of financial performance reflects employee costs of Kshs.957,428,000. Review of human resources records revealed that six officers were appointed on acting appointments to posts that were more than two grades above their substantive posts contrary to the Human Resource Policies and Procedures Manual for the Public Service of May, 2016.

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

3. Delays in Operationalization of Cane Testing Units (CTU)

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects an amount of Kshs.457,412,000 in respect of special programs expenditure. Included in the amount is Kshs.187,344, 000 incurred on Cane Testing Units (CTU). Further disclosed in Note 23 to the financial statements is additions to work in progress amounting to Kshs.306,277,000 in respect to upgrading of the CTUs.

Records provided for audit reveal that the Authority had not developed the required regulations to operationalize the CTU Projects at an industrial level and therefore the benefits of the CTUs have not been realized since inception. Review of the status of implementation of the CTU indicates that thirteen (13) cane testing units have been constructed and equipped, and none is operational. This is despite Kshs.3,436,149,218 having been spent on construction and maintenance of the CTU's from the year 2014.

In the circumstances, the Authority did not attain value for money on the expenditure of Kshs.3,436,149,218 incurred on the CTUs.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack Substantive Board of Directors

The Authority functioned without a substantive Board of Directors from 7 November, 2017 when the term of the interim Board Members lapsed to date. There was, no support to the accounting officer with regard to responsibilities for issues of risk, control and governance and associated assurance and follow up on implementation of recommendations of internal and external auditors as envisaged under Regulation 175 of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances the Authority's risk management and governance systems were not effective.

2. Lack of a Disaster Recovery Plan

Review of the internal control and risk management environment revealed that the Authority did not have in place an approved disaster recovery plan to guide the Authority on procedures to mitigate against any eventuality.

In the circumstances, the risk management practices were not effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue 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 Authority 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 Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Authority'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 Authority 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 Agriculture and Food Authority 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 June, 2023

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2022

	Notes	2021-2022	2020-2021
		Kshs 000'	Kshs 000'
Revenue from non-exchange transactions			
Transfers from other governments entities	6	3,544,930	1,962,097
Levies, Fines, and penalties	7	380,367	256,782
Licenses and permits	8	238,175	162,933
		4,163,472	2,381,812
Revenue from exchange transactions			
Rental revenue from facilities and equipment	9	114,974	116,674
Finance income	10	62,293	115,996
Other income	11	5,788	3,563
Total revenue		4,346,526	2,618,045
Expenses			
Use of goods and services	12	1,157,253	1,102,518
Disbursements	13	1,261,724	26,157
Special Programme	14	457,412	95,997
Employee costs	15	957,428	996,078
Depreciation and amortization expense	16	133,771	205,337
Repairs and maintenance	17	55,953	344,592
Total expenses		4,023,541	2,770,678
Other gains/(losses)			
Gain on sale of assets	18	275	6,342
Gain on foreign exchange transactions	19	2,703	524
Surplus before tax		325,963	(145,767)
Remission to National Treasury		-	-
Net Surplus for the year		325,963	(145,767)

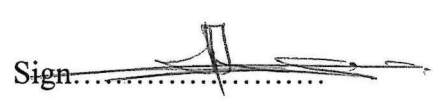
The notes set out on pages 8 to 44 to form an integral part of the Financial Statements

The Financial Statements set out on pages 1 to 7 were signed on behalf of the management by: -

Acting Director General
Name: Beatrice Nyamwamu

Director, Finance
Name: CPA Joseph W. Muigai
ICPAK M/no 5605

Sign.....

Sign.....

Date.....18.04.23

Date.....18/4/2023


Agriculture and Food Authority
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14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

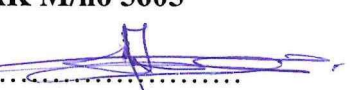
	Notes	2021-2022 Kshs 000'	2020-2021 Kshs 000'
Assets			
Current Assets			
Cash and cash equivalents	20	1,673,100	2,611,083
Staff Mortgage Fund		780,989	773,036
Current portion of receivables from exch transactions	21(a)	380,008	440,332
Receivables from non-exchange transactions	22	16,339	14,258
Total Current Assets		2,850,436	3,838,709
Non-Current Assets			
Property, plant and equipment	23	9,574,474	10,342,549
Investments	25	389	389
Intangible assets	24	4,623	7,884
Long term receivables from exchange transactions	21(b)	3,112,161	3,112,161
Total Non- Current Assets		12,691,647	13,462,983
Total Assets		15,542,083	17,301,691
Liabilities			
Current Liabilities			
Trade and other payables	26	862,880	766,592
Refundable deposits from customers	27	24,073	16,686
Current Provision	28	66,670	44,395
Employee benefit obligation	29	785,789	789,925
Total Current Liabilities		1,739,412	1,617,598
Non-Current Liabilities			
Non-current Provision	30	326,820	326,820
Total Non- Current Liabilities		326,820	326,820
Total Liabilities		2,066,233	1,944,418
Net assets			
Revaluation Reserve		9,270,533	9,780,913
Accumulated surplus		(1,047,095)	391,172
Capital Fund		1,320,966	1,253,742
Grant Reserve		3,931,446	3,931,446
Total Net Assets		13,475,850	15,357,273
Total Net Assets and Liabilities		15,542,083	17,301,691

The Financial Statements set out on pages 1 to 7 were signed on behalf of the management by: -

Acting Director General
Name: Beatrice Nyamwamu

Sign.....
Date.....18.04.23

Director, Finance
Name: CPA Joseph W. Muigai
ICPAK M/no 5605

Sign.....
Date.....18/4/2023

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Revaluation Reserve	Retained Earnings	Capital Reserve	Grants Reserve	Total
		Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
As at July 2020		9,780,913	571,391	1,219,290	3,931,446	15,503,040
Surplus for the Period		-	(145,767)	-	-	(145,767)
Retained Earnings Utilized During the Year	30	-	(34,452)	34,452	-	-
Capital/ Dev't Grant Utilized During the Year		-	-	-	-	-
Balance as at 30 June 2021		9,780,913	391,172	1,253,742	3,931,446	15,357,273
As at July 2021		9,780,913	391,172	1,253,742	3,931,446	15,357,273
Surplus for the Period		-	325,963	-	-	325,963
Retained Earnings Utilized During the Year		-	(306,277)	306,277	-	-
Mortgage and Car Loan Fund		-	(3,498)	-	-	(3,498)
Transfers to TBK		(510,380)	(1,454,454)	(239,053)	-	(2,203,888)
Balance as at 30 June 2022		9,270,533	(1,047,095)	1,320,966	3,931,446	13,475,850

The reserve of AFA has been adjusted by adjustments of an overstatement of the Mortgage and Car Loan Fund of Kshs 3.4 million and the transfers to the TBK of Kshs 2.2 billion after the enactment of the TBK Act 2020. The nature and purpose of reserves for AFA is explained below;

- 1. Capital Reserve** – This represents the seed money/capital advanced or granted by the government for establishment of the defunct State Corporations forming the Authority. It is primary reserve that finances major assets of the Authority. Capital reserve has been adjusted by Kshs 239.0 million which relates to transfers to TBK after the enactment of the TBK Act 2020.
- 2. Revaluation Reserve** – This is the reserve created from revaluation of fixed assets i.e. the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17: Plant, Property and Equipment. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements. Revaluation reserve has been adjusted by Kshs 510.3 million which relates to transfers to TBK.
- 3. General Reserve** – This is created from accumulated surplus of the Authority and is used to strengthen the liquid resources of the Authority. The accumulated surplus has been adjusted by Kshs 1.454 billion which relates to transfers to TBK. In addition, the surplus was adjusted

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by adjusting interest income which was accrued in previous period of Kshs 3.49 million and therefore amending the Mortgage and Car Loan Fund with the same amount.

4. **Grant Reserve** – This relates to grants received from the government for development of the sugar industry

The Authority had been granted and approval in the FY 2020-2021 for the use of retained earnings to undertake capital expenditure of the upgrade of two Cane Testing Units (CTUs) which was established through a grant through the Sugar Development Levy. An expenditure of Kshs 306.28 was undertaken to upgrade the two CTUs


16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	NOTES	2021-2022	2021-2021
		Kshs '000	Kshs '000
Cash Generated from Operations			
Surplus for the Year Before Tax		325,963	(145,767)
Adjusted for:			
Depreciation	16	133,771	205,337
Gains and Losses on Disposal of Assets/ Foreign Exchange		(2,978)	(6,866)
Mortgage and Car Loan Fund		(3,498)	-
Transfers to TBK		(1,194,937)	-
Finance Income	10	(62,293)	(115,996)
Working capital adjustments:			
Increase/Decrease in Receivables	21&22	58,243	(33,755)
Increase/Decrease in Payables	26-30	121,814	39,031
Net Cash Flows from Operating Activities		(623,914)	(58,017)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets	23&24	(371,661)	(74,392)
Proceeds from Sale of Property, Plant and Equipment		275	7,004
Gains and Losses on Disposal of Assets/ Foreign Exchange	18&19	2,978	6,866
Finance Income	10	62,293	115,996
Net Cash Flows used in Investing Activities		(306,116)	55,474
Cash Flows from Financing Activities			
Mortgage and Car Loan Fund		(7,953)	612,218
Net Cash Flows used in Financing Activities		(7,953)	612,218
Net Increase/(Decrease) in Cash and Cash Equivalents		(937,982)	609,675
Cash and Cash Equivalents at 1 July		2,611,082	2,001,407
Cash and Cash Equivalents at 30 June		1,673,100	2,611,082

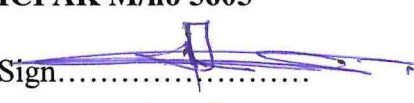
Transfer to TBK relates to transfer of reserve fund and transfer of cash and cash equivalent for the former Tea Directorate as at 30th June 2020-21.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

Acting Director General
Name: Beatrice Nyamwamu

Sign.....
 Date.....18.04.23

Director, Finance
Name: CPA Joseph W. Muigai
ICPAK M/no 5605

Sign.....
 Date.....18/4/2023

**Agriculture and Food Authority
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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	2,020,550	1,811,237	3,831,787	3,544,930	(286,856)	93%
Levies, Fines, and penalties	199,744	80,501	280,245	380,367	100,122	136%
Licenses and permits	66,581	40,970	107,551	238,175	130,624	221%
Rental revenue from facilities and equipment	190,293	(18,123)	172,170	114,974	(57,196)	67%
Finance income	106,615	-	106,615	62,293	(44,322)	58%
Other income	10,248	-	10,248	5,788	(4,460)	56%
Reserves	100,000	238,300	338,300	-	338,300	0%
Total income	2,694,031	2,152,885	4,846,915	4,346,526	176,211	90%
Expenses						
Use of goods and services	1,049,008	98,861	1,147,870	1,157,253	(9,383)	101%
Employee costs	1,075,149	(63,705)	1,011,444	957,428	54,017	95%
Board Expenses	19,098	(9,100)	9,998	-	9,998	0%
Disbursements	-	1,500,000	1,500,000	1,261,724	238,276	84%
Special projects	362,750	619,754	982,504	457,412	525,092	47%
Depreciation and amortization expense	120,077	(21,379)	98,698	133,771	(35,073)	136%
Repairs and maintenance	60,462	35,515	95,977	55,953	40,023	58%
Taxation	-	-	-	-	-	100%
Total expenditure	2,686,545	2,159,946	4,846,491	4,023,541	822,949	83%
Gain on sale of assets	-	-	-	2,978	2,978	100%
Surplus for the period	7,486	- 7,061	425	325,963		

VARIANCE ANALYSIS

Variances arising from a comparison between the budget and actual performance is explained as follows:

1. Transfers from Other Government Entities

The total amount received by the Authority at the end of the year ended 30th June 2022 from other Government Entities is Kshs 3.54 billion. This being recurrent and development grant. During the financial year, the Authority had a supplementary budget allocation of 1.5 billion for the Sugar Reforms Project of which Kshs 700 million was for payment of sugarcane farmers' arrears and Kshs 800 million for the rehabilitation of Government owned mills. The Authority also received an amount of Kshs 92.095 million from development partners of which KShs 90.9 million was received from IFAD for the Irish Potato Revitalization Project. As at the reporting date, the Authority had not received from the exchequer an amount of KShs 222 Million for cane testing unit's projects, KShs 35 million for the potato revitalization programme and KShs 30 million for recurrent grant.

2. Levies, Fines and Penalties

The total amount received by the Authority at the end of the year is Kshs 380.3 million against a target of Kshs. 280.2 million registering a positive variance of Kshs 100.1 million. This was a result of the efficiency of the Integrated Management Information System being implemented by The Authority to collect cess and levies of the scheduled crops

3. Licences and Permits

The total amount received by the Authority at the end of the year of is Kshs 238.1 million against a target of Kshs. 107.5 million registering a positive variance of Kshs 130.6 million. This positive variance was attributed by the annual licences for the Industries players

4. Rental Income from Facilities and Equipment

The total amount received by the Authority at the end of the year is Kshs 114.9 million against a target of Kshs. 172.1 million registering a negative variance of Kshs 57.2 million. This target was not met due to low occupancy as covid-19 pandemic affected most businesses at the Authority's Kahawa house. One of the go-down for the Fibre Directorate at Mombasa was damaged and was not in operation during the financial year.

5. Finance Income

The target that was set by the Authority of Kshs 106.6 million was not achieved by Kshs 44.1 million, funds for Investment have reduced and applied to programmes planned during the year.

6. Use of Goods and Services

This Comprises of expenditure for technical and administrative functions of the authority as follows;

	KShs 000'
Technical and Advisory Services	127,711
Regulation and Compliance	174,914
Market Research and Product Development	166,296
<u>Administrative expenses</u>	<u>688,332</u>
<u>TOTAL</u>	<u>1,157,253</u>

The Authority had budgeted to spend Kshs. 1.148 billion on the use of goods and services in the financial year 2021/22. The actual expenditure was Kshs 1.157 billion registering a positive variance of Kshs 0.9 million attributed to enhanced operations to undertake programmes and project.

7. Personnel Cost

The Authority had budgeted to spend Kshs. 1.011 billion on staff salaries and wages in period, the actual expenditure was Kshs. 957.4 million, registering a positive variance of Kshs 54 million.

8. Board Expense

The Authority had budgeted to spend Kshs. 9.9 million. However, for the FY 2020-2021, the Authority did not have a board in place and the vote was not utilised

9. Disbursements

This relates to funds disbursed to Irish Potato Revitalization Programme, payments of arrears for sugar cane farmers and the rehabilitation of Government owned sugar mills. The Authority received an amount of KShs 1.5 billion out of which Kshs 1.028 billion was utilized to pay sugar cane farmers and suppliers for the rehabilitation of sugar mills. An amount of Ksh 90.9 was also disbursed for the Irish Potato Revitalization Programme

10. Special Project

The Authority had budgeted to spend Kshs. 982 million on special projects but the actual expenditure was Kshs 457.4 million. As at the reporting date, the programmes were ongoing. Projects undertaken in the period included;

	KShs 000'
Price Stabilization Taskforces	104,695
Cotton Revitalisation	46,858
Farmers Data Registration	88,946
Cane Testing Units	187,294
International Coffee Conference	28,392
<u>IFAD Potato Revitalization Project</u>	<u>1,088</u>
<u>TOTAL</u>	<u>457,412</u>

11. Repairs and Maintenance

The Authority had budgeted to spend Kshs. 95.9 million on repairs and maintenance but the actual expenditure was Kshs 55.9 million. The positive variance of 40 million attributable by the fact that some repair works had not been completed as at the reporting date.

12. Depreciation and Amortisation

The Authority had provided for Kshs. 98.7 million for depreciation of assets in year but the actual depreciation was Kshs 133.8 Million, registering a negative variance of Kshs 35 million.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Agriculture and Food Authority is established by and derives its authority and accountability from Agriculture and Food Authority and Crops Act 2013. AFA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to develop, regulate and promote all scheduled crops as provided in the Crops Act 2013.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumption. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The area involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed in note 5. The accounting policies adopted have been consistently applied to the years presented.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agriculture and Food Authority and all values are rounded to the nearest thousand (Kshs. '000').

The financial statements have been prepared historical cost basis except for the measurement at the revalued amounts of certain items of property, plant and equipment. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012, the State Corporation Act and International Public Sector Accounting Standards (IPSAS).

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

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. AFA adopted the IPSAS accrual in August 2014.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<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.

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IPSAS 42:	Applicable: 1st January 2023
Social Benefits	<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> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
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>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

Amendments to IPSAS 41, 42,43 and 44 are not relevant to AFA’ s including the Amendments to Other IPSAS resulting from IPSAS 41 under a, b and c above for the FY 2021-2022

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2022.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Agriculture and Food Authority recognizes revenues from fees, licences, levies and cess 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, 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 Agriculture and Food Authority 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 Agriculture and Food Authority and can be measured reliably.

Rendering of services

The Agriculture and Food Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established. The Authority has not reported any dividends in the year under review

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the 2021-2022 budget following the governing body's approval

The annual budget was prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agriculture and Food Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. 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 13 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

Agriculture and Food Authority is a State Corporation created from the merger of defunct agricultural state corporations that were exempted from taxation in accordance with 1st schedule of the Income Tax Act Cap 470 (Revised 2014). According to Section 13 & 14 of the Income Tax Act 2014, The Pyrethrum Board of Kenya, The Sisal Board of Kenya, The Horticultural Crops Development Authority and The Cotton Board which of Kenya that formed AFA were exempted from income tax. Current Income, deferred tax and Sales tax are not applicable to AFA.

The Authority is funded from the consolidated fund and by way of government grants and does not have other significant sources of income. However, the Authority is registered for PAYE, VAT and Income taxes.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) 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 Agriculture and Food Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

The Authority applied the Straight Line Method for depreciating all fixed assets as follows: -

Asset	Depreciation Rate	Useful Life
Land		Leasehold period
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Motor Vehicles	25.00%	4yrs
Computers	33.30%	3yrs
Office & Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs

f) Leases

Leases are broadly categorised into Finance leases and Operating Leases. Finance Lease are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. However, the Authority had no assets categorized as finance lease as at the date of reporting.

An operating lease is a lease other than a finance lease. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. As at the time of the reporting the Authority had entered into various lease agreements with several tenants occupying its premises and vice-versa with landlords it has leased properties from. Where the Authority has leased out its premises, assets are recognized and presented in the financial position according to the nature of the assets and lease income recognized as revenue on a straight-line basis over the lease term. Similarly, costs including depreciation, incurred in earning lease revenue are recognised as an expense.

AFA in accordance with IPSAS 13 on Leases; amortize land which is in leasehold.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Asset	Depreciation Rate	Useful Life
Intangible Assets	20%	5yrs

h) Research and development costs

AFA did not incur expenses on research and development

i) Financial instruments

a) 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 Entity determines the classification of its financial assets at initial recognition.

As at the reporting date, the authority did not have any financial instruments that gives rise to both. Financial asset for one entity and a financial liability for another entity as defined in IPSAS 29: Financial Instruments –Presentation. Consequently, there were no qualitative and quantitative disclosures on risks arising from financial instruments by the Authority as at the reporting date.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agriculture and Food Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

According to IPSAS 12; Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations. However, the Authority as service-based public institution does not carry significant amount of inventory as it is procured in small quantities and therefore expensed when it is procured

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognised when AFA 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 obligation.

Where the Authority expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised 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.

l) Contingent liabilities

The Agriculture and Food Authority shall not recognize but has disclosed contingent liabilities in the financial statements in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets.

m) Contingent assets

The Authority shall not recognize but has disclosed contingent assets in the financial statements for year in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. The contingent asset relates to the parcel of land the defunct Coconut Development Authority applied for within Kenya the Agricultural Research Institute (KARI) through the Ministry of Agriculture for the purpose of constructing Headquarters at Mtwapa. The Authority is yet to receive the ownership documents and therefore treats it as a contingent asset.

n) Nature and purpose of reserves

In accordance with IPSAS 1: Presentation of financial Statements, where an entity has no share capital, it shall disclose net assets/ equity, either on the face of the statement of financial position or in the notes, showing separately: contributed capital, accumulated surpluses, reserves (including a description of the nature and purpose of each reserve within net assets/ equity; and minority interests. The Authority maintains the following reserves for the purposes stated: -

5. **Capital Reserve** – This represents the seed money/capital advanced or granted by the government for establishment of the defunct State Corporations forming the Authority. It is primary reserve that finances major assets of the Authority.
6. **Revaluation Reserve** – This is the reserve created from revaluation of fixed assets i.e. the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17: Plant, Property and Equipment. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements.
7. **General Reserve** – This is created from accumulated surplus of the Authority and is used to strengthen the liquid resources of the Authority.
8. **Grant Reserve** – This relates to grants received from the government for development of the sugar industry

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Agriculture and Food Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Agriculture and Food Authority pays fixed contributions into a separate Agriculture and Food Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation

Gratuity Obligations

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity at thirty-one percent of basic pay are recognised when they are accrued to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

q) 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. 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.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

The Agriculture and Food Authority regards a related party as a person with the ability to exert control individually or jointly, or to exercise significant influence over the Agriculture and Food Authority, or vice versa. Members of key management are regarded as related parties and comprise the Director General, Heads of Directorates and senior managers.

Paragraph 25 of IPSAS 20: Related Party Disclosures, an entity shall disclose related party relationships where control exists, irrespective of whether there has been transactions between related parties. Paragraph 27 requires that 'in respect of transactions between related parties, other than transactions that would occur within a normal supplier or client/ recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances, the reporting entity shall disclose; the nature of related party relationships, types of transactions and the element of the transactions.

AFA as a State Corporation under the Ministry of Agriculture, Livestock and Fisheries or the Ministry of Agriculture operates under the guidance and Direction of the Ministry. The Interim Board existing at the reporting date was appointed by and reports to the Cabinet Secretary, Ministry of Agriculture, Livestock and Fisheries. Furthermore, the Authority received government grants amounting to Kshs. 1.6 billion through the ministry. However, even though some of the major decisions regarding operations of the authority are subject to the approval by the ministry, the Authority operates with a high degree of autonomy.

Furthermore, the Authority owes the government Kshs. 672.8 million loan that was issued by the Government of Kenya to KPCU through the defunct Coffee Board of Kenya. In the books of the Authority, the loan is carried as an asset to KPCU and as a liability to GoK. Since the amount was disbursed by KPCU to farmers, loan recoveries were to be remitted to KPC and then submit to Coffee Board of Kenya for onward repayment of the GoK loan. The board has made several claims to KPCU but apparently no recoveries were made from farmer it's there improbable the money will ever be recovered in light of the government waiver on coffee loans. Consequently, the defunct CBK had written to treasury for the amount to be written off so that it can be expunged from the books of the accounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

t) Service concession arrangements

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

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

u) 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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) Comparative figures

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

w) Subsequent events

These are those events, both favourable and unfavourable, that occur between the reporting date and the date the financial statements are authorized for issue. These events could be those that provide evidence of conditions that existed at the reporting date and those indicative of conditions that arose after the reporting date.

There have been no events subsequent to the financial year end with a significant impact on the financial statements under review.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Agriculture and Food Authority'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 Entity based its assumptions and estimates on parameters available when the consolidated 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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 Authority based its assumptions and estimates on parameters available when the consolidated 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 Authority. Such changes are reflected in the assumptions when they occur.

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 Authority
- 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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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

This relates to funds received from the exchequer through the parent Ministry for both recurrent and programmes. Other organizational grants include amounts received from Kenya Dairy Board. The Government grant are received on a quarterly basis based on the approved budget.

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Unconditional grants		
Operational grant	1,657,586	1,883,000
Other grants	1,887,095	75,797
Total Unconditional Grants	3,544,680	1,958,797
Conditional grants		
Other organizational grants	250	3,300
Total government grants and subsidies	3,544,930	1,962,097

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2021/22	Prior year
	KShs "000"	KShs "000"			2020/2021
			KShs "000"	KShs "000"	KShs "000"
Ministry of Agriculture/State Department of Crop Development	3,452,586	-	-	3,452,586	1,958,000
Total	3,452,586	-	-	3,452,586	1,958,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Levies, Fines and Penalties

This relates to funds received from cess charged from exports, fines and penalties

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Cess	269,292	249,533
Other levies - Imports	111,075	7,248
Total	380,367	256,782

8. Licenses, Fees and Permits

This relates to funds received from licences, fees and permits

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Licenses	185,579	158,925
Fees	47,204	1,794
Permits	5,392	2,213
Total	238,175	162,933

9. Rental Revenue from Facilities and Equipment

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Operating lease revenues	114,974	116,674
Total rentals	114,974	116,674

10. Finance Income

It relates to interest from short -term deposits made within the financial year and a portion of interest income from short term deposits that has been earned but not received by the reporting date

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Cash investments and fixed deposits	62,293	115,996
Total finance income	62,293	115,996

11. Other Income

This includes income from sale of disposal of items, insurance recoveries and other income.

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Other Income	5,788	3,563
Total other income	5,788	3,563

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Use of Goods and Services

This relates to expenditure on the crop development, capacity building and technology transfer, expenditure on the regulatory function including compliance monitoring, surveillance, and market development activities including market research, product promotion, and expenditure on the support functions of the Authority.

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Collaborations and Coordination	23,024	25,732
Stakeholders Capacity Building	60,053	62,955
Environmental Sustainability	3,433	5,322
International Fora/Meetings	8,325	524
Seeds Supply & Management	8,821	6,854
Crop Census	12,245	14,622
Crop Support	11,809	11,171
Farmers Data Registration	-	756
Registration & Licensing	16,823	24,503
Inspections & Surveillance	42,524	40,944
Development and Review of Standards	15,298	20,737
Quality Analysis	9,976	7,728
Stakeholders Fora	70,137	92,287
International Fora/Meetings	10,185	1,015
Consultancies	-	3,391
Enforcement of Regulations and Standards	9,173	597
Training of Inspectors	797	958
Generic Promotion	34,354	50,250
Market Research & Development	32,631	16,713
Subscriptions to Associations	2,701	13,891
Product Promotion	17,920	9,697
International Conference	60,926	5,586
Value Addition Promotion	10,794	9,205
Market Registration	6,970	4,210
Tea Sector Reforms	-	29,389
Printing and Stationery	11,991	11,117
Communication Telephone and Postage	25,284	37,787
Vehicle Running Expenses	38,082	37,583
Insurance Expenses	17,899	16,143
Local Travel Expenses	169,938	123,748
Planning Research and Strategy	40,013	36,853
International travel	9,926	779

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Security	39,016	33,063
Electricity and water	28,511	28,423
Rent and rates	34,224	24,449
Computer Accessories	13,793	20,308
Record management	5,059	3,144
Cleaning, Garbage & Sanitary	17,946	22,979
Management Fees/Refunds	2,210	1,976
Newspapers, Periodicals, Journals and subscriptions	3,096	3,368
Advertising and Publicity	1,952	2,923
Bank Charges	6,829	3,931
Staff Welfare	32,100	42,087
Trainings, Seminar, Retreats, Workshops & Conferences	90,693	85,957
Subscriptions to Professional Bodies	1,212	1,567
Staff Uniforms	699	591
Team Building	2,681	1,378
Audit Fees	5,655	6,960
Internal Audit/ ISO Audits	25,005	27,210
Legal Services	25,430	41,897
Public relations and corporate branding	11,124	6,203
Shows , Exhibitions & trade fairs	11,437	5,767
Corporate Social Responsibility	2,633	1,445
General Expenses	13,895	13,845
Total Use of Goods and Services	1,157,253	1,102,518

13. Disbursements

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Mumias Sugar Cane Farmers	7,223	1,715
Sony Sugar Cane Farmers	139,725	6,340
Muhoroni Sugar Cane Farmers	138,496	363
Nzoia Sugar Cane Farmers	283,355	-
Chemilil Sugar Cane Farmers	138,544	11
Muhoroni Sugar Factory Rehabilitation	147,132	-
Sony Sugar Factory Rehabilitation	55,680	-
Nzoia Sugar Factory Rehabilitation	74,708	-
Chemilil Sugar Factory Rehabilitation	42,969	-
IFAD Potato Revitalization Project	90,909	-
Tea Board of Kenya	142,983	-
Warehouse Receipt Council	-	15,000
Research and Special Project	-	2,728
Total	1,261,724	26,157

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14. Special Programmes

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Cotton Revitalization	46,858	95,997
Price Stabilization Taskforce	104,785	-
Farmers Data Registration	88,946	-
IFAD Potato Revitalization Project	1,088	-
Cane Testing Units	187,344	-
International Coffee Organization Conference	28,392	-
Total	457,412	95,997

15. Employee Costs

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Salaries and wages	548,466	580,952
Employer contribution to health insurance schemes	89,493	102,680
Employer contribution to pension schemes and gratuity	111,304	79,995
Housing benefits and allowances	112,793	126,742
Social contributions	1,250	1,273
Other employee related costs	94,122	104,435
Employee costs	957,428	996,077

Other related employee cost is comprised of commuter allowance, airtime allowance, entertainment allowance, extraneous allowance, hardship allowance, leave allowance disability allowance and responsibility allowance

16. Depreciation and Amortization Expense

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Property, plant and equipment	130,510	192,318
Intangible assets	3,261	13,019
Total depreciation and amortization	133,771	205,336

17. Repairs and Maintenance

This relates to expenditure on repairs and maintenance of the Authority's assets and the maintenance of cane testing units

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Property	9,811	7,094
Equipment and machinery	9,568	301,755
Vehicles	22,633	26,301
Furniture and fittings	319	422
Computers and accessories	12,961	8,797
Others	661	223
Total repairs and maintenance	55,953	344,592

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18. Gain on Sale of Assets

This includes income from sale of disposal of assets of the Authority.

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Property, plant and equipment	275	6,342
Total gain on sale of assets	275	6,342

19. Gain on Foreign Exchange Transaction

This relates the exchange differences arising from translating account with USD balances in to the reporting currency

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Gain on Foreign Exchange	2,703	524
	2,703	524

20. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs "000"	KShs "000"
Current account	427,467	612,460
On - call deposits	1,004,814	854,310
Fixed deposits account	240,819	1,144,293
Others(specify)	-	20
Total cash and cash equivalents	1,673,100	2,611,083

Fixed deposits relate to funds on three months fixed deposit awaiting to be applied in the programmes

20 (a) Detailed Analysis of the Cash and Cash Equivalents

FINANCIAL INSTITUTION	ACCOUNT NO	2021-2022	2020-2021
		Amount in Kshs 000	Amount in Kshs 000
A. CURRENT ACCOUNT			
Kenya Commercial Bank	1110499213	88,505	6,043
Kenya Commercial Bank	1136148655	368	369
Kenya Commercial Bank	1113721383	82	80
Kenya Commercial Bank	1135213151	5	6
Kenya Commercial Bank	1134347472	42	39
National Bank of Kenya	1003000903600	438	3,103
Stanbic Bank Kenya Limited	100002304702	118	6,133
Co-operative Bank	1141588031600	37,080	100,377
Co-operative Bank	01120012923300	158	165
NCBA Bank	1001419222	257	257
Absa Bank	0945019115	86,272	165,423
Co-operative Bank	01120012923300	-	3,043
Absa Bank	731081123	36,816	11,467
Citibank N.A.	300026028	97,559	97,400

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Citibank N.A.	300026055	14,588	20,359
National Bank Of Kenya	1003000906900	2,358	5,516
Citibank N.A.	300027008	13,101	12,648
Co-operative Bank	1120000543400	13,364	2,865
National Bank of Kenya	1001031599900	22,096	110,649
National Bank of Kenya	1001033092200	265	2,191
National Bank of Kenya	1001009339300	512	512
National Bank of Kenya - A/C 1	01003000544300	-	11,281
National Bank of Kenya - Msa A/C	01003007525500	-	70
Citibank N.A. - KES	0300026036	-	1,552
Co-operative Bank	01120007120700	-	23,048
Stanbic Bank-USD	0100000672248	13,483	28,277
Citibank N.A. - USD	0300026063	-	109
Sub-Total		427,467	612,985
B. On - Call Deposit			
Co-operative Bank	1003000906900	-	295,729
Co-operative Bank	01150588031600	480,000	-
Co-operative Bank	01150000543404	264,732	-
Co-operative Bank	01150000543405	260,083	558,580
Sub-Total		1,004,814	854,309
C. Fixed Deposit			
Co-operative Bank	01132012923377	100,000	120,000
National Bank of Kenya	01098031599900	80,000	-
Kenya Commercial Bank	Escrow Account	8,582	8,582
Euro Bank	Euro bank	52,237	52,237
National Bank of Kenya	01300000544327	-	100,000
Co-operative Bank	01132007120772	-	563,475
Co-operative Bank	01132007120773	-	300,000
Sub-Total		240,819	1,144,294
E. Others (Specify)			
Mobile Money		-	20
Sub-Total		-	20
TOTAL		1,673,100	2,611,608

20 (b) Mortgage and Car Loan Fund

The surplus was adjusted by adjusting interest income which was accrued in previous period of Kshs 3.49 million and therefore amending the Mortgage and Car Loan Fund with the same amount to Kshs 780. 98 million.

	2021-2022	2020-2021
	KShs "000"	KShs "000"
Staff car loan/ mortgage	780,989	773,036
Staff car loan/ mortgage Fund	780,989	773,036

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21. Receivables from Exchange Transactions

21 (a) Current Receivables from Exchange Transactions

This relates to accounts receivables arising from prepaid expenses, trade and rent debtors

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
Current receivables		
Rent Debtors	77,701	62,974
Trade Debtors	11,139	32,718
Prepayments	33	639
Other Debtors	291,134	344,001
Total current receivables	380,008	440,332

21 (b) Long- term Receivables from Exchange Transactions

This relates to long term receivables from Levy arrears and Sugar Development Fund (SDF)

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
Total Receivables		
Levy Arrears	2,883,039	2,883,039
SDF Receivables	229,122	229,122
Less: impairment allowance	-	-
	3,112,161	3,112,161
Current portion transferred to current receivables	-	-
Total non-current receivables	3,112,161	3,112,161
Total receivables (a+b)	3,482,169	3,552,492

22. Receivables from Non-Exchange Transactions

This relates to amounts owing from staff at the end of the financial year.

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
Staff Debtors	7,855	4,772
Staff Advance	3,994	4,996
Other Receivable	4,490	4,490
Total current receivables	16,339	14,258

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23. Property, Plant and Equipment

	Free Hold Land	Lease Hold Land	Buildings	Plant and Equipment	Automobiles	Computer and Electronic Equipments	Office and Communication Equipment	Furniture and Fittings	WIP	TOTAL
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
As at 1st July 2020	7,105,784	273,000	3,138,517	484,755	325,443	181,083	208,581	161,569	-	11,878,731
Additions	-	-	27,301	-	-	7,061	1,959	208	34,452	70,981
Disposals	-	-	-	-	(51,514)	(3,844)	(2,049)	(2,150)	-	(59,558)
At 30 June 2021	7,105,784	273,000	3,165,818	484,755	273,929	184,299	208,491	159,627	34,452	11,890,155
Additions	-	-	-	3,635	34,150	22,965	2,189	2,445	306,277	371,661
Transfers/Adjustments	(441,500)	-	(625,431)	-	(31,600)	(10,777)	(16,651)	(16,478)	-	(1,142,436)
Disposals	-	-	-	-	-	(552)	-	-	-	(552)
At 30 June 2022	6,664,284	273,000	2,540,387	488,390	276,478	195,935	194,029	145,595	340,729	11,118,827
Depreciation and Impairment										
As at 1st July 2020	-	27,300	234,533	472,312	249,994	168,020	128,954	126,729	-	1,407,842
Depreciation	-	9,100	71,939	3,109	66,426	11,197	21,228	9,319	-	192,318
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(46,175)	(3,844)	(1,444)	(1,091)	-	(52,554)
At 30 June 2021	-	36,400	306,472	475,420	270,245	175,372	148,738	134,958	-	1,547,605
Depreciation	-	9,100	63,932	3,476	12,222	12,986	20,418	8,377	-	130,510
Transfer to TBK	-	-	(62,294)	-	(31,600)	(9,867)	(14,464)	(14,817)	-	(133,043)
Adjustment disposal	-	-	(167)	-	-	-	-	-	-	(167)
disposal	-	-	-	-	-	(552)	-	-	-	(552)
At 30 June 2022	-	45,500	307,942	478,897	250,867	177,938	154,691	128,517	-	1,544,353
Net Book Values										
At 30 June 2022	6,664,284	227,500	2,232,444	9,493	25,612	17,997	39,338	17,077	340,729	9,574,474
At 30 June 2021	7,105,784	236,600	2,859,346	9,335	3,684	8,927	59,753	24,669	34,452	10,342,549

Work in Progress include upgrade of two Cane Testing Units (CTUs). The Overall objective of the Cane Testing Units was to enable Kenya Sugar Industry transform from the current weight based system to quality based cane payment system. Transfers were done to the former Tea Directorate after the operationalization of the Tea Board of Kenya Act 2020.

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Land on Leasehold

AFA has in accordance with IPSAS 13 on Leases; amortized land, which states that operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

The Authority has been amortizing property BLOCK 1/251, BLOCK 1/187, BLOCK 1/188, BLOCK 1/198 leased from Kenya Railways Corporation.

23 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Category of Assets	Cost	Normal annual depreciation charge
Free hold Land	6,664,284	-
Plant and machinery	460,580	57,572
Motor vehicles, including motor cycles	227,591	56,898
Computers and related equipment	176,792	52,872
Office equipment, furniture and fittings	109,267	13,658
Total	7,638,514	181,000

23 (c) Fully Depreciated Property, Plant and Equipment

Category of Assets	Cost	Normal Annual Depreciation charge
Plant and machinery	468,018	58,502
Motor vehicles, including motor cycles	263,683	65,921
Computers and related equipment	167,266	55,755
<i>Furniture and Fittings</i>	<i>68,252</i>	<i>8,532</i>
<i>Office and communication equipment</i>	<i>53,788</i>	<i>6,723</i>
Total Office equipment, furniture and fittings	122,040	15,255
Total	1,021,007	195,433

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24. Intangible Assets

	2021/2022	2020/2021
	Kshs '000	Kshs '000
COST		
At July 1	123,694	120,283
Software Additions	-	3,410
Transfer/Adjustments	(4,534)	-
At June 30	<u>119,160</u>	<u>123,694</u>
AMORTISATION		
At July 1,	115,810	102,791
Transfer/Adjustments	(4,534)	-
Charge for the year	3,261	13,019
At June 30	<u>114,537</u>	<u>115,810</u>
NET BOOK VALUE		
At June 30	<u>4,623</u>	<u>7,884</u>

Fully Amortized Assets

Cost	102,856	58,599
Would have been Depreciated	20,571	11,720

25. Investment Property

The investment relates to the amount invested in establishment of the Nairobi Coffee Exchange before liberalization of the coffee industry in 2007

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
c) Equity investments (specify)		
Equity/ shares in Nairobi Coffee Exchange	389	389
Sub- total	<u>389</u>	<u>389</u>

26b) Shares in Other Entities

Name of entity where investment is held	No of shares			Nominal value of shares KShs '000'	Fair value of shares Current year KShs '000'	Fair value of shares Prior year KShs '000'
	Direct shareholding %	Indirect shareholding %	Effective shareholding %			
Nairobi Coffee Exchange	100	-	-	389	389	389
	100	-	-	389	389	389

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26. Trade and Other Payables

This comprises of money owed to suppliers, income received in advance and other creditors

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
Trade payables	679,335	677,170
Payments received in advance	15,701	71,168
Employee payables	5	13,383
Third-party payments	6,909	4,870
Other payables	2,128	-
TBK Mortgage Fund	108,802	-
TBK Car Loan Fund	50,000	-
Total trade and other payables	862,880	766,592

27. Refundable Deposits and Prepayments from Customers

This relates to customers' deposits on rental properties

Description	2021-2022 KShs "000"	2020-2021 KShs "000"
Customer deposits	24,073	16,686
Total deposits	24,073	16,686

28. Current Provisions

Description	Leave provision KShs "000"	Bonus provision KShs "000"	Gratuity Provision KShs "000"	Other provision KShs "000"	Total KShs "000"
Balance b/d (1.07.2021)	-	-	-	44,395	44,395
Additional Provisions	-	-	17,205	5,655	22,860
Provision utilised	-	-	-	(585)	(585)
Total provisions as at 30.6.2022	-	-	17,205	49,465	66,670

29. Employee Benefit Obligations

Description	Defined benefit plan KShs "000"	Post- employem t medical benefits KShs "000"	Other Benefits KShs "000"	2021-2022 KShs "000"	2020-2021 KShs "000"
Non-current benefit obligation	-	-	-	785,789	789,925
Total employee benefits obligation	-	-	-	785,789	789,925

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30. Non-Current Provisions

Description	Long service leave	Bonus Provision	Gratuity provision	Other Provision	Total
	KShs "000"		s KShs "000"	s KShs "000"	KShs "000"
Balance at the beginning of the year	326,820	-	-	-	326,820
Additional Provisions	-	-	-	-	-
Balance at the end of the year	326,820	-	-	-	326,820

31. Surplus Remission

The Authority did not make any surplus during the FY 2021-2022. The Authority received an amount of Kshs 3.42 billion of which an amount of Kshs 1.5 billion was allocated for sugar reform project to be disbursed to sugar cane farmers and for the rehabilitation of government owned sugar mills, out of this amount, an amount of Ksh 1.020 had been disbursed as at 30th June 2022. The balance will be disbursed once verification of payment documents are done.

		2021-2022	2020-2021
		Kshs "000	Kshs "000
Net Surplus for the year		325,963	(145,767)
Sugar Reform Project		-	
Amount Received	1,500,000	-	-
Amount Disbursed	1,020,609	-	-
Project Funds to be disbursed	479,391	(479,391)	-
Net Deficit after Disbursements		(153,428)	-

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The Authority received its main funding from The Exchequer through the Parent Ministry. Other source of funding is from internally generated funds from regulating the scheduled crops. Funds received from the Exchequer is disbursed to the Directorates. In terms of implementation of the budget, common services are undertaken at the Headquarters while the core functions undertaken at the Directorate level.

A brief of the Directorate's financial performance and financial position for the year under review is given below,

Revenue	CONSOLIDATED	COFFEE	FIBRE	FOOD	HCD	HQ	NOCD	POICD	SUGAR
Revenue from non-exchange Transactions									
Total Internally Generated Income	618,542	10,486	37,080	55,668	283,347	-	96,029	80	135,851
Recurrent Grant from Government	1,657,586	50,000	28,833	36,936	-	1,428,347	30,351	33,505	49,613
Dev't Grant from Government	1,795,000	-	7,183	-	-	1,102,817	-	-	685,000
Recurrent Grant from Dev't Partners	92,095	-	-	90,909	1,186	-	-	-	-
Other Organizational Grant	250	-	-	-	-	250	-	-	-
Total Government	3,454,021	50,000	36,016	36,936	1,186	2,531,415	30,351	33,505	734,613
Total Revenue from Non-exchange transactions	4,072,563	60,486	73,096	92,604	284,533	2,531,415	126,380	33,585	870,464
Revenue from exch. transactions									
Investment Income	62,292	35,921	356	-	205	1,183	-	-	24,628
Rental Income	114,974	71,489	9,705	-	26,686	6,566	-	-	528
Other Incomes	5,788	4,117	1,670	-	-	-	-	-	-
Total Revenue from exchange transactions	183,179	111,651	11,731	-	26,891	7,750	-	-	25,156
Total Revenue	4,255,742	172,137	84,828	92,604	311,424	2,539,164	126,380	33,585	895,620
Total Other Gains/(Losses)	2,974	2,698	-	-	-	275	-	-	-
EXPENSES									
Personnel cost									
Basic Pay	548,466	-	-	-	-	548,466	-	-	-
House Allowance	112,793	-	-	-	-	112,793	-	-	-

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Commuter Allowance	40,450	-	-	-	-	-	40,450	-	-	-
Airtime Allowance	6,378	-	-	-	-	-	6,378	-	-	-
Extraneous Allowance	355	-	-	-	-	-	355	-	-	-
Others	30,493	-	-	-	-	-	30,493	-	-	-
Leave Allowance	16,045	-	-	-	-	-	16,045	-	-	-
Pension/Gratuity	111,304	-	-	-	-	-	111,304	-	-	-
NSSF	1,250	-	-	-	-	-	1,250	-	-	-
Medical expenses	89,493	-	-	-	-	-	89,493	-	-	-
Commutation of Leave	367	-	-	-	-	-	367	-	-	-
Transfer Allowance	34	-	-	-	-	-	34	-	-	-
Total Personnel cost	957,428	-	-	-	-	-	957,428	-	-	-
Disbursement										
Programme disbursement	90,909	-	-	-	90,909	-	-	-	-	-
Others disbursements & refunds	142,983	-	-	-	-	-	142,983	-	-	-
Disbursements to Sugar Farmers										
Mumias Farmers	7,223	-	-	-	-	-	-	-	-	7,223
Sony Farmers	139,725	-	-	-	-	-	92,960	-	-	46,765
Muhoroni Farmers	138,496	-	-	-	-	-	138,496	-	-	-
Nzoia Farmers	283,355	-	-	-	-	-	283,355	-	-	-
Chemilil Farmers	138,544	-	-	-	-	-	106,697	-	-	31,848
Muhoroni Sugar Factory Rehabilitation	147,132	-	-	-	-	-	147,132	-	-	-
Sony Sugar Factory Rehabilitation	55,680	-	-	-	-	-	55,680	-	-	-
Nzoia Sugar Factory Rehabilitation	74,708	-	-	-	-	-	74,060	-	-	648
Chemilil Sugar Factory Rehabilitation	42,969	-	-	-	-	-	42,969	-	-	-
Total Disbursements to Sugar Farmers Project	1,027,832	-	-	-	-	-	941,349	-	-	86,483
Cotton Revitalization	46,858	-	-	-	-	24,608	22,250	-	-	-
Taskforce Expenses	104,785	51,589	-	-	-	-	-	-	-	53,196

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Cane Testing Units	187,344	-	-	-	-	-	-	-	5,533	-	-	181,810
International Coffee Organization	28,392	28,392	-	-	-	-	-	-	-	-	-	-
Farmers Data Registration	88,946	-	-	-	-	-	-	-	88,946	-	-	-
IFAD Potato Revitalization Project	1,088	-	-	1,088	-	-	-	-	-	-	-	-
Use of Good and Services												
Total Technical and Advisory	127,711	20,962	8,140	10,739	40,857	1,795	14,218	9,631	14,218	21,367		
Total Market Research & Development	166,296	69,785	10,396	11,576	29,905	-	14,222	9,468	14,222	20,944		
Total Regulation & licensing	174,914	18,659	25,754	26,445	51,855	-	10,004	11,184	10,004	31,013		
Total Corporate Comm	25,194	-	1,246	47	393	23,484	24	-	24	-		
Total, Corporate Planning, Strategy & Ent. Risk Man.	11,052	-	-	-	-	11,052	-	-	-	-		
Total Human Resource Costs	125,758	7,213	5,556	1,272	12,002	87,411	2,153	1,980	2,153	8,171		
Total Audit Expense	34,181	-	-	-	-	34,154	-	-	-	27		
Total Legal Cost	37,081	-	-	-	-	37,081	-	-	-	-		
Total Office Expenses	66,210	6,881	4,031	1,161	15,294	27,490	2,323	2,656	2,323	6,373		
General Expenses	-	-	-	-	-	-	-	-	-	-		
Total General Expenses	29,784	8,197	1,033	513	9,388	6,324	404	402	404	3,522		
Total Vehicle Running Expenses	38,082	327	994	105	2,558	32,377	70	662	70	989		
Total Insurance Expenses	17,899	-	-	-	-	17,899	-	-	-	-		
Total Travelling Expense	112,129	4,886	8,472	900	23,004	53,791	2,078	5,564	2,078	13,434		
Total Utilities	28,511	7,781	745	-	10,189	5,364	-	-	-	4,432		
Security	39,016	-	-	-	-	38,006	-	-	-	1,010		
Total Rent and rates	34,224	361	-	-	1,828	32,036	-	-	-	-		
Total Director General Office	30,484	-	-	-	-	30,484	-	-	-	-		
Total Supply Chain Department	21,620	346	145	-	2,152	16,907	355	494	355	1,220		
Total ICT	36,888	865	894	188	6,553	24,042	234	1,384	234	2,728		
Repairs and Maintenance												
Buildings	9,811	348	451	-	5,894	2,232	-	40	-	846		
Plant and Equipment	5,963	305	246	-	5,106	306	-	-	-	-		

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Automobiles	22,633	1,590	3,455	551	4,485	6,123	1,202	1,197	4,032
Computer and Electronic Equipments	12,640	461	75	85	48	11,372	-	-	599
Office and Communication Equipment	320	2	2	-	-	-	-	-	316
Furniture and equipment	319	29	-	-	-	240	-	-	51
Lift/ Generators/ Borehole	3,605	194	-	-	148	2,408	-	-	855
Others	661	-	5	-	-	656	-	-	-
Total Repairs and Maintenance	44,997	2,929	4,235	635	15,681	12,379	1,241	1,197	6,699
Total Depreciation & Amortization	133,771	43,343	19,208	-	21,352	37,586	890	-	11,393
Total Expenses	4,023,541	272,515	115,458	57,730	356,371	2,572,259	45,558	39,428	462,357
ASSETS									
Current Assets									
Total Cash and cash equivalents and Mortgage Fund	2,454,089	802,714	44,311	36,816	146,477	114,504	88,873	118	1,065,091
Trade Debtors	11,139	9,027	2,112	-	-	-	-	-	-
Prepayments	33	33	-	-	-	-	-	-	-
Rent Debtors	77,701	31,804	656	-	38,503	-	186	-	6,552
Other Debtors	259,380	337	287	10,000	50,965	197,791	-	-	-
Levy Arrears	2,883,039	-	-	-	-	-	-	-	2,883,039
SDF Receivables	229,122	-	-	-	-	-	-	-	229,122
Total Receivables from exchange transactions	3,460,414	41,201	3,055	10,000	89,468	197,791	186	-	3,118,712
Total Receivables from non-Exchange transactions	16,339	6,074	-	50	399	8,839	6	183	789
Total Current Assets	5,768,749	878,963	48,445	46,866	238,629	279,210	89,065	301	4,187,270
Non-Current Assets									
Property, Plant and Equipment									
Land Net	6,891,784	4,482,584	612,500	-	1,414,200	-	-	-	382,500
Buildings Net	2,232,445	1,350,798	244,398	-	487,550	-	0	-	149,698
Plant and Equipments Net	9,493	9,493	-	-	-	-	-	-	-
Automobiles Net	25,612	-	-	-	16,665	8,948	-	-	-

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Computer and Electronic Equipments Net	18,005	986	-	-	-	16,524	-	-	495
Office and Comm Equipment Net	39,338	1,546	86	-	324	27,186	-	-	10,196
Furniture and Fittings Net	17,077	231	40	-	2,120	11,271	-	-	3,415
Total Work in Progress	340,729	-	-	-	-	340,729	-	-	-
Total Property, Plant and Equipment	9,574,475	5,845,639	857,016	-	1,920,859	404,657	-	-	546,304
Intangible assets	4,625	-	-	-	40	3,993	-	-	592
Interest Receivable	31,754	16,772	-	-	-	-	-	-	14,982
Other Investment	389	389	-	-	-	-	-	-	-
Total Non- Current Assets	9,611,243	5,862,800	857,016	-	1,920,899	408,650	-	-	561,878
Total Assets	15,485,701	6,741,763	905,461	36,866	2,159,528	803,571	89,065	301	4,749,148
LIABILITIES									
Current Liabilities									
Trade and Other Payables									
Trade Payables	729,335	17,687	764	585	104,814	125,832	871	522	478,259
Refundable deposits from customers	24,073	21,744	2,063	-	-	266	-	-	-
Current Provisions	66,670	10,762	901	-	5,231	46,633	-	-	3,143
Deferred income	15,701	-	-	-	-	-	-	-	15,701
Employee benefit obligation	785,789	-	-	-	-	785,789	-	-	-
Mortgage Fund TBK	108,202	-	-	-	-	108,802	-	-	-
Insurance Compensation	6,909	-	-	-	-	6,909	-	-	-
Other Payables	2,242	206	-	-	-	2,036	-	-	-
Provision For Bad Debts	326,820	-	-	-	-	-	-	-	326,820
Total Trade and Other Payables	2,065,742	50,398	3,729	585	110,046	1,076,268	871	522	823,923
Total VAT	486	-	486	-	-	-	-	-	-
Net Salary	5	-	-	-	-	5	-	-	-
Total Current Liabilities	2,066,232	50,398	4,214	585	110,046	1,026,273	871	522	823,923
Total Liabilities	2,066,232	50,398	4,214	585	110,046	1,026,273	871	522	823,923