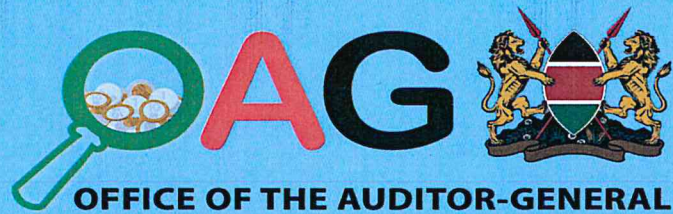


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

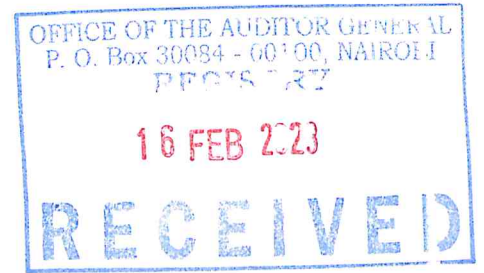
ON

COMMODITIES FUND

FOR THE YEAR ENDED
30 JUNE, 2022

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022



Commodities Fund

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022

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

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022



Table of Contents

I. KEY FUND INFORMATION AND MANAGEMENT	ii
2. BOARD MEMBERS	vi
3. MANAGEMENT TEAM	xii
4. CHAIRMAN’S STATEMENT.....	xv
5. REPORT OF THE MANAGING TRUSTEE.....	xviii
6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2021/2022	xx
7. CORPORATE GOVERNANCE STATEMENT.....	xxii
8. MANAGEMENT DISCUSSIONS AND ANALYSIS.....	xxvii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT	xxxiv
10. REPORT OF THE TRUSTEES	xxxviii
11. STATEMENT OF TRUSTEES’ RESPONSIBILITIES	xxxix
12. REPORT OF THE INDEPENDENT AUDITORS ON THE COMMODITIES FUND.....	xl
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2022	2
15. STATEMENT OF CHANGES IN NET ASSETS.....	3
16. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2022.....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
18. NOTES TO THE FINANCIAL STATEMENTS.....	7
19. APPENDIX	35
APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR GENERAL’S RECOMENDATIONS.....	35
APPENDIX II: PROJECTS IMPLEMENTED BY THE COMFUND	49
APPENDIX III: TRANSFERS FROM OTHER ENTITIES	50

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

I. KEY FUND INFORMATION AND MANAGEMENT

(a) Background information

The Commodities Fund (ComFund) is an agency under the Ministry of Agriculture, Livestock Fisheries and Co-operatives. It was established under section 9 of the Crops Act of 2013 (Amended in May 2016) and operationalized on 1st August 2014. It is the successor of the Coffee Development Fund and the Sugar Development Fund. ComFund is domiciled in Kenya and has seven regional offices located in Meru, Embu, Nyeri, Nakuru, Kericho, Mumias and Eldoret.

During the period under review, the Board of Trustees ran the affairs of the ComFund. The Board is appointed in line with requirements of the Crops Act 2013, Section 9(3) amended in May 2016). The Managing Trustee is the Secretary to the Board and Chief Executive Officer of the ComFund. The Managing Trustee is supported by a team of managers comprising of Credit, Finance, Legal and ICT. Others include Planning and Strategy, Human Resource, Supply Chain, Corporate Communications and the Internal Audit.

(b) Principal Activities

The purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

The mission of the ComFund is to provide affordable and accessible credit for development of crops sub-sector. Arising from the mandate, the objectives of the ComFund are:

- Mobilize resources from the government and development partners for onward lending to farmers.
- Develop loan products for scheduled crops as per Crops Act, 2013.
- Provide credit and Advances for all scheduled crops and subsequently collect repayments arising from disbursed credit facilities.
- Facilitate capacity building of farmers.
- Facilitate price stabilization for scheduled crops.

(c) Key Management

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

- i) The Board of Trustees comprising of three committees namely; Finance, Human Resources and General Purpose Committee, Credit & Business Development Committee and Audit, Risk & Governance Committee.
- ii) The Managing Trustee who is the Chief Executive and Secretary to the Board.
- iii) The Management team comprising of the Managing Trustee and nine heads of departments and sections.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

i) Ag. Managing Trustee	- Jane K Ndungu
ii) Finance Manager	- Silas Nyaga
iii) Credit Manager	- Roseline Wambura
iv) Legal Manager	- Nesline Okiko
v) Head of Supply Chain Management	- Tomno Kibichii
vi) ICT Manager	- Solomon Kirwa
vii) Head of HR & Administration	- Rose Ndiritu
viii) Head of Corporate Communications	- James Singa
ix) Head of Planning & Strategy	- Nelly Chepngetich

(e) Fiduciary Oversight Arrangements

The ComFund has developed key fiduciary oversight arrangements in all areas of operations as follows:

i) Finance and Audit Activities

The ComFund has developed key policies in all its operational area and complies with the requirements of the Public Financial Management Act 2012 in the management of public funds. Annual operational and financial budgets are prepared and approved by the relevant authority before implementation. Bank accounts are opened with the authority of the National Treasury and operated by officers appointed by the Board of Trustees. Internal controls in place do not allow an officer of the ComFund to initiate and complete transaction on his/her own. The Internal Audit department of the ComFund reviews operational and financial activities of ComFund independently and reports directly to the Audit, Risk and Governance Committee of the Board. ComFund is annually audited by the Auditor General who reports it's findings to the National Assembly.

ii) Credit Administration

The ComFund has developed an elaborate credit policy that guides credit administration. Credit approvals are vested in Committees to avoid decisions being made individually. The Committees are Management Credit Committee and Board Credit & Business Development Committee.

iii) Overall Supervision by the Board

The Board of Trustees has composed three committees which meet at least once quarterly to deliberate and guide on matters presented before them by the management. The Board Committees then report to the Full Board, which also meets at least once quarterly. The Board is appraised on the performance of the ComFund during the quarterly meetings

(f) ComFund Headquarters

2nd floor, Railway Headquarters Building - Block D
Workshop Road
Off Haile Selassie Avenue
P. O. Box 52714 - 00200
City Square
NAIROBI, Kenya

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

(g) ComFund Contacts

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 +254-737-204278/9
E-mail : info@comfund.co.ke
Website : www.comfund.co.ke

(h) ComFund Bankers

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Wakulima Branch
P. O. Box 48231-00100
NAIROBI, Kenya
Tel : +254-20-3276000
Fax : +254-20-219821
Website: www.co-opbank.co.ke

Kenya Commercial Bank Limited
Tom Mboya Branch. Postal:
P. O. Box 48400 - 00100.
NAIROBI, Kenya
Tel: 3270000.
Email: contactcentre@kcb.co.ke

NCBA Bank Kenya
Head Office;
Mara and Ragati Roads,
Upper Hill Nairobi,
P.O Box 44599-00100.
NAIROBI, Kenya
Tel: +254 20 2884444
Email:customercare@nic-bank.com

Equity Bank
Kahawa house Branch
P.O. Box 75104 – 00200
NAIROBI, Kenya
Tel: +254763026000.
Email: info@Equitybank.co.ke

National Bank
Harambee Avenue Branch
P. O. Box 72866 - 00200
NAIROBI, Kenya
Tel: 2828000;
Email: info@nationalbank.co.ke

Family Bank Ltd
Gargen House Branch
P. O. Box 74145-00200,
NAIROBI, Kenya

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

Tel: 0703 095 445;
Email: info@familybank.co.ke

Credit Bank Ltd
Koinange Street Branch
P. O. Box 61064-00200
Tel: 2222300;
NAIROBI, Kenya
Email: info@creditbankltd.co.ke.

Development Bank
Loita Street Branch
P.O.Box 30483-00100
NAIROBI, Kenya
Tel: 3340401;
Email: dbk@devbank.com;

Housing Finance Ltd
Gill House Branch
P.O.Box 30088-00100
NAIROBI, Kenya
Tel: +254-203262000;
Email: customer.service@hfgroup.co.ke

(i) Independent Auditors

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


(j) Principal Legal Adviser



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

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

2. BOARD MEMBERS

Insert each Director’s passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director’s date of birth, key qualifications and work experience
<p>1. Hon. Samson Mwanicha Okioma</p>  <p><i>14th December 2018 to 13th December 2021</i></p>	<p>Hon. Okioma was appointed Chairman of the Board of Trustees for a three-year term that ended on 13th December 2021. He was born on 15th August 1951. He holds a MSc. Agric. (Pl. Path) and B.Sc. (Hons) - Botany & Biochemistry from University of Nairobi. He is finalizing his PhD from Egerton University – Thesis: Distribution, Characterization and Control of Mycotoxins (Aflatoxins) of Maize in Kenya. As a member of Pan African Parliamentarians, he had special training on climate change in Algiers, Algeria.</p> <p>He has wealth of experience in agriculture including agricultural scientific research in sugarcane agronomy and horticulture. He served as Assistant Agricultural Manager at Muhoroni Sugar Company and as Agricultural Manager at Pan Vegetable Processors in Naivasha.</p> <p>He was a Member of Parliament (MP) for Kitutu Masaba Constituency from 2002 to 2007 and was Kenya Member of Parliament, Pan African Parliament, Midrand, Johannesburg, South Africa from 2004 to 2007. As an MP, he was a member of the Committee of Agriculture, Livestock and Co-operatives of Parliament and was a member of the Agriculture, Livestock and Environment Committee of the Pan African Parliament.</p> <p>He previously served in the Board of Kenya Institute for Public Policy Research and Analysis (KIPPRA).</p> <p>He has also authored several books intended to alleviate poverty among the youth and women in Kenya.</p>

<p>2. Hon. Daniel Karaba Dickson, CBS</p>  <p><i>7th November 2019 to 7th February 2022</i></p>	<p>Hon Karaba, was appointed as an Independent Trustee of Commodities Fund effective 7th November 2019 and he left the Board on 9th February 2022. He was born on 20th December 1948, and holds a Bachelor of Arts (Ed.) degree from University of Nairobi.</p> <p>He is a politician and a professional teacher.</p> <p>He served as Senator of Kirinyaga County in 2013 for a period of 5 years and as a one term Member of Parliament for Kirinyaga County in 2003. Hon Karaba served as a Chairman of Education Committee in the 9th Parliament and held the same role in the 11th Parliament as the Chairman of the Senate Education Committee. He was also a member of Parliamentary Liaison Committee in the 9th Parliament.</p> <p>He taught in many secondary schools and was promoted to a deputy principal and later a principal of various schools in Kenya including, Kagumo High School, Highway Secondary School, Kianyaga High School, Kirimara High School and Njegas Secondary School.</p> <p>Hon. Karaba was director of Nyayo Tea Zone from 2007 to 2013. He was Chairman of Sports Association in Kirinyaga County and Chairman of Kirinyaga District Head Teachers Association among other roles.</p>
<p>3. Mr. Robert Mugambi Muriithi</p>  <p><i>7th November 2019 to 23rd March 2022</i></p>	<p>Robert M. Muriithi was re-appointed as an Independent Trustee of Commodities Fund effective 7th November 2019 and he left the Board on 23rd March 2022. He was born on 20th August 1968 and holds a Master of Arts degree in Economics, BA degree in Economics and Finance and is part qualified Certified Public Accountant. He is currently pursuing a Ph.D. degree in Economics at the University of Nairobi and has completed course work and is now finalising on the dissertation.</p> <p>He has over twenty years' experience in development and investment finance within the East African region, having worked with East African Development Bank for the last eighteen years. He has vast experience and training in credit analysis and project monitoring and evaluation. He is currently an Advisory Board Member for Business Partners International Limited and a Limited Partner representative in Catalyst Fund LLC. He has previously served as a board member in several other companies within the East Africa region.</p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**



<p>4. Ms. Alice Kwamboka Nyariki</p>  <p><i>4th October 2019 to Date</i></p>	<p>Ms Alice Nyariki was appointed as a member of the Board of Trustees as representative of the National Treasury on 4th October 2019. She holds a Bachelor of Arts Degree in Sociology and an MSC in Risk Management.</p> <p>She is currently a Senior Deputy Director of Pensions. She has extensive Knowledge in Public Pension Policies, Planning and budgeting.</p>
<p>5. Ms. Doreen Kanana Mutua</p>  <p><i>30th April 2020 to Date</i></p>	<p>Ms. Doreen Kanana Mutua was born on 1st January, 1990 and appointed to the Board of Trustees on 30th April, 2020 as an Independent Trustee. Doreen holds B. Com (Finance) and MBA (Finance) from Meru University of Science and Technology. She is a Certified Public Accountant.</p> <p>Ms. Mutua is currently the Managing Director of Boxcar Global Limited.</p> <p>While working as CEO of Donaris Investments she helped grow the SME business from a turnover of Kshs 500,000/- to turnover of around Kshs 20 Million.</p> <p>At Meru County Assembly, she pioneered the establishment of a community based group known as Friends of Obosani Self-help group (2016) in a view to empower the members through loaning facility and housing. The group now owns various properties and is able to loan each member Kshs 500,000/- at a low interest rate of 10%.</p>
<p>6. Dr. Julius Kipyegon Kones</p>  <p><i>5th January, 2021 to Date</i></p>	<p>Hon. Dr. Julius Kipyegon Kones was appointed as an Independent Trustee of Commodities Fund (ComFund) with effective from 5th January 2021. He was born on 21st April 1972 and he is a holder of BSc and Masters (Moi University) and PhD (Netherlands Institute of Ecology) in Statistics. He is a member of Institute of Directors (Kenya) - Member No. 0668.</p> <p>Hon. Dr. Kones is the CEO and Consultant of East Africa Dataline Consult Ltd. Prior to appointment as Trustee of ComFund, he was Chairman of the Board of Directors of Lake Victoria North Water Works Development Agency. He also served as Chairman of the Board of Directors of National Water Conservation & Pipeline Corporation from February 2014 to February, 2019.</p>

	<p>Among other notable experiences, Hon. Dr. Kones was Member of Parliament (MP) for Konoin Constituency from 2008 to January 2013. He also served as a Lecturer of Mathematics and Statistics at University of Nairobi, School of Mathematics from 2001 to 2007.</p> <p>As an MP he held the following Parliamentary responsibilities: Vice Chairman, Public Accounts Committee. Member, Committee on Delegated Legislation and the Budget and Appropriations Committee, Chairman, Kenya-Japan Parliamentary Friendship Association, Member, Parliamentary Caucus on Millennium Development Goals (MDGS), Member, Parliamentary Network on World Bank and IMF, Member, Africa Parliamentary Network Against Corruption (APNAC).</p> <p>Hon. Dr Kones has published works in refereed journals.</p> <p>He participates in social engagements and has won various awards including award of a Certificate of Commitment by the Federation of Women Lawyers (FIDA-Kenya) to champion the attainment of Gender Equality in Kenya legislation by championing gender responsive Constitution, Bills and Budgets.</p>
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Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022




<p>7. Mr. John Irungu Njoroge</p>  <p><i>16th November 2020 to 23rd February 2022</i></p>	<p>Mr. John Irungu Njoroge was appointed as a representative of the Principal Secretary, Ministry of Agriculture, Livestock, Fisheries & Co-operatives of Commodities Fund (ComFund) with effect from 16th November 2020 upto 23rd February 2022.</p> <p>Mr. Njoroge, was born on 11th April, 1968. He is a holder of MA (Economics Policy Management, Makerere University), and BSc in Agricultural Economics Egerton University. He is a member of Kenya Society of Agricultural Professionals.</p> <p>He has twenty-seven (27) years working experience in Ministry of Agriculture, Livestock, Fisheries and Co-operative. He is currently working as Deputy Director of Agriculture, Head: Agribusiness and Value Addition Division.</p>
<p>8. Ms. Mary Basweti Nyachae</p>  <p><i>27th May 2022 to Date</i></p>	<p>Ms. Mary Basweti Nyachae was appointed as an Independent Trustee of Commodities Fund effective 27th May 2022.</p>
<p>9. Ms. Jane Likimani Gachanja</p>  <p><i>27th May 2022 to Date</i></p>	<p>Ms. Jane Nkini Likimani-Gachanja was appointed Trustee of Commodities Fund (ComFund) effective from 27th May 2022.</p> <p>Ms. Likimani-Gachanja, was born on 1st December 1961. She holds an MBA in Management from Fordham University, New York, NY, USA, and a BSc. in Business Economics from Southern Connecticut State University, in New Haven, CT, USA.</p> <p>She is a member of the Working Group for the Establishment of the Pan-Africa Women's Association (PAWO), Kenya Chapter, an African Union affiliate body. She is also a member of the Kenya Association of Fundraising Professionals.</p> <p>She has twenty (20) years working experience in various United Nations entities (Office of the UN</p>




	<p>Resident Coordinator, Kenya; UNDP Kenya; UNON, UNICEF, New York Hqs., and Malawi). She also has ten (10) years working experience in the Private Sector, as well as a short stint in the then Ministry of Economic Planning and National Development.</p> <p>Currently, she runs a private consultancy, and manages family enterprises.</p>
<p>10. Yunis Ibrahim Sheikh</p>  <p><i>14th April 2022 to Date</i></p>	<p>Mr. Yunis Ibrahim Sheikh was appointed Trustee of Commodities Fund (ComFund) effective from 14th April, 2022. He was born on 1st April 1982. He is a holder of MSc. in Health Systems Management (Kenya Methodist University), MSc. in Health Systems Management (Kenya Methodist University), Bachelor of Medical Science Laboratory Services (Jomo Kenyatta University of Agriculture & Technology) and Postgraduate Diploma in Law (Kenya School of Law (<i>Advocates Training Programme</i>)).</p> <p>He is a Partner at Yunis, Osman & Mwiti Advocates and he is a Board Member Tourism Finance Corporation since May 2019.</p>
<p>11. Mr. Joseph Kirubi</p>  <p><i>24th February 2022 to Date</i></p>	<p>Mr. Joseph Kirubi was appointed the Alternate Member of the Board of Trustees of Commodities Fund with effect from 24th February 2022.</p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**




3. MANAGEMENT TEAM

The ComFund’s day-to-day management is under the following key team:

<p>1. Mrs. Jane K. Ndung’u</p>  <p><i>24th February 2022 to Date</i></p>	<p>Area of Responsibility: Ag. Managing Trustee (Accounting Officer) effective 9th February 2022</p> <p>Academic Qualification: Bachelor of Science (Agriculture) and Master of Science in Crop Protection</p> <p>Professional Qualification: Senior Leadership Development Programme (SLDP), Senior Management Course (SMC)</p>
<p>2. Ms. Nancy Chelangat Cheruiyot, FCCA</p>  <p><i>29th Jan 2018 to 28th Jan 2022</i></p>	<p>Area of Responsibility: Managing Trustee upto 8th February 2022</p> <p>Academic Qualification: MBA-Financial Management, Bachelor of Arts - Economics & Sociology.</p> <p>Professional Qualification: ACCA. Doctor of philosophy in Business Administration (on-going).</p>
<p>3. Ms Roseline Wambura</p> 	<p>Area of Responsibility: Credit.</p> <p>Academic Qualification: Bachelor of Commerce, MBA Project Management</p> <p>Professional Qualification: ACCA- ongoing.</p>

<p>4. Mr. Solomon Kirwa</p>  <p><i>Resigned with effect from 31st July 2022</i></p>	<p>Area of Responsibility: ICT.</p> <p>Academic Qualification: M.Sc. in I.T(Systems Security & Audit), MBA Finance Option, Bachelor of Science in IT.</p> <p>Professional Qualification: PRINCE2, ITIL, CCNA, CPA (K) Oracle OCP, MCSE & JAVA Programmer.</p>
<p>5. Mr. Silas Nyaga</p> 	<p>Area of Responsibility: Finance and Accounting.</p> <p>Academic Qualification: MBA- Finance (KU) Bachelor of Commerce in Accounting (KU)</p> <p>Professional Qualification: CPA (K), CPS.</p> <p>Professional Membership: Full Member of Institute of Certified Public Accountant of Kenya</p>
<p>6. Ms. Rose Ndiritu</p> 	<p>Area of Responsibility: Human Resources & Administration.</p> <p>Academic Qualification: MBA – HR (KU), Bachelor of Education (Arts) KU,</p> <p>Professional Qualification: CHRP, Higher Diploma HR (KNEC)/IHRM Certified Public Secretary-CPS (K), Certified Professional Mediator</p> <p>Professional Membership: Full Member of Institute Human Resources Management with Practising Certification</p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

<p>7. Mr. Nesline Gechuki Okiko</p> 	<p>Area of Responsibility: Legal Services.</p> <p>Academic Qualification: Bachelor of Law.</p> <p>Professional Qualification: Diploma in Law.</p>
<p>8. Mr. Tomno Kibichii</p> 	<p>Area of Responsibility: Supply Chain.</p> <p>Academic Qualification: Bachelor of Arts, MSC Procurement & Logistics (JKUAT).</p> <p>Professional Qualification: MCSIPS.</p>
<p>9. Mr James Singa</p> 	<p>Area of responsibility: Corporate Communications</p> <p>Qualifications: MA in Communication Studies (UoN); First Class Bachelor’s degree in Communications/ Media Technology (Maseno University); Certificate (Distinction): Senior management Course (Kenya School of Government) ;Certificate: Web 2.0 and Social Media (EU-ACP); Certificate: Corporate Governance (Centre for Corporate Governance); Certified ISO systems internal Lead Auditor (Bureau Veritas).</p> <p>Professional bodies: Full Member; Public Relations Society of Kenya.</p>

4. CHAIRMAN'S STATEMENT

1.0 Introduction

It is my honour to present the Commodities Fund's Annual Report and Financial Statement for the year ending 30th June 2022, a financial year that came as the world and Kenya was smarting from Covid-19 pandemic. During the year, the government scaled back the emergency guidelines that had been effected in the previous financial year due to the Covid-19 pandemic, and as a result, the national economy started stabilizing. The Commodities Fund continued to fulfil her mandate to finance the crops sector in Kenya.

2.0 Post COVID-19 Environment

The financial year under review coincided with the world under Covid-19 pandemic in its third year. Globally and nationally, stringent interventions to contain the pandemic that had been put in place including restriction in movement were scaled back as new ones, including development and deployment of vaccines were upped. As result, the world economies that had experienced shutdowns within the previous 27 months were opening up, Kenya included. The country managed to contain the health and economic impacts of multiple COVID-19 waves in 2021, helped by targeted containment measures and progress on vaccination. However, as World Bank Group (June 2022) reports, by the end of the financial year, the country was facing a potential economic shock due to a new phenomenon: The war in Ukraine.

At the Commodities Fund, the reopening of the country for normalization of economic life meant that we could engage with our clients more and continue supporting the crops sector in Kenya through provision of affordable and easily accessible credit and advances.

3.0 Economic Performance

During the Financial year under review, Kenya's economy increased, with Real Gross Domestic Product (GDP) growing by 7.5% in 2021, higher than the estimated growth in Sub-Saharan Africa of 4%. Even though the national economy grew, the agriculture sector's output contracted in 2021. This was mainly affected by drought in the arid and semi-arid lands (ASAL) (*Source: World Bank group's Kenya's economic Update (June 2022)*).

Prospectively forecasting, moderate economic growth is expected, with Real Gross Domestic Product (GDP) projected to grow by 5.5% in 2022 and 5.2% on average in 2023–24. However, this continued recovery from shocks of the pandemic might be hindered by the impact of the war in Ukraine, which has clouded the outlook for the global economic recovery.

Despite the uncertain cloud of Ukraine war hovering over the projected recovery, I am hopeful that the resilience of Kenya's economy will support not only the ability of Commodities Fund's loanees to service their loan facilities, but open new frontiers for business growth, as the agriculture sector recovers.

3.1 Agriculture Sector Performance: Coffee, Sugar, Tea Subsectors

Agriculture sector was among the sectors that registered slowed growth, decelerating from 5.2% recorded in 2020 to negative 0.1% in 2021, as per *Economic Survey Report, 2022*. This was occasioned by unfavourable weather conditions in various parts of the country, which resulted in reduced crop and livestock production. In Crops Sector, Coffee production declined by 6.0% to 34.5 thousand tonnes in 2020/21, a decline that was attributed to increased cost of farm inputs, leaf

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

rust infestation, and the shift in land use from coffee farming to real estate and unfavourable weather conditions. Also Tea production declined by 5.6% in 2020 to 537.8 thousand tonnes in 2021. However, Sugar subsector was among the few that posted improved results, with the volume of sugar cane deliveries increasing from 6.8 million tonnes in 2020 to 7.8 million tonnes in 2021, due to improved cane availability in most of the sugar zones.

Despite reduced agricultural production in various subsectors, generally the earnings improved. Economic Survey (2022) reports that earnings from coffee increased significantly from Kshs. 10.8 billion in 2020 to Kshs. 18.6 billion in 2021, due to the twin effect of increased quantity of marketed coffee and higher prices. Likewise, earnings from tea increased by 3.2% from Kshs. 122.2 billion in 2020 to Kshs. 126.1 billion in 2021, while earnings from sugar cane increased by 12.6% from Kshs. 25.2 billion in 2020 to Kshs. 28.4 billion in 2021. The effect of higher prices offered for these crops' produce outweighed the effect of lower quantities, resulting in higher earnings in the year under review.

With the projected recovery of the agriculture sector in these subsectors, the Fund is hopeful that the current clients will continue to service their loan facilities, while new business opportunities will arise. In addition, specifically, the long outstanding debts it owed by the sugar subsector through the public millers will be addressed and settled.

4.0 Strategic Plan (2018-2023)

During the financial year, ComFund continued with the Plan's implementation, focussing on Resource mobilization, Partnerships, prudent credit management, legal and regulatory framework, price stabilization, capacity building as well as operational efficiency.

To note, as part of operationalizing the Price stabilization mechanism, the Fund was part of the Taskforce established by the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives. The role of the Taskforce was to propose a price stabilization framework for Coffee and Sugar Subsectors, whose report is expected to provide guidelines and activities to enable producers enjoy higher returns for their produce in the two subsectors.

4.1 Financing new subsectors

In line with the Strategic Plan's objective to expand operations to new agricultural subsectors, the Commodities Fund developed concept notes to mobilize resources for supporting two new subsectors: Cashew nuts and Banana enterprises. If approved through grant of financial resources by the Parent Ministry, the Fund shall expand its portfolios as per its mandate, to further avail financing to scheduled crops.

5.0 Agricultural Regulatory and Policy framework

Commodities Fund continues to actively engage with relevant stakeholders to prepare for adjustments with regard to its mandate and operations.

6.0 Corporate performance overview

As part of fulfilling its mandate, during the financial year under review, ComFund disbursed loans totalling to Kshs. 258 million against a target of Kshs. 728 million, while collecting loans amounting to Kshs. 614 million. The decline in actual disbursement was as a result of long turnaround time occasioned by the directive from the Parent Ministry to seek for concurrence for

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

loan facilities approved by the Fund. This has hindered the ability of the Fund to avail credit in time for utilization by the farmers.

During the year, a surplus of Kshs. 58 million was realized as a result of decline in loan loss provision. Provision charged in the year was Kshs. 82 million being a big decline from previous years. This is regarded as a major achievement considering the Fund has been incurring huge losses over time. We remain optimistic that we are on the right path of recovery and back to profitability.

7.0 The Board Composition

During the year under review, the term of the Board's chairperson, Hon. Samson Mwanicha Okioma ended, while both Hon. Daniel Karaba and Mr. Robert Muriithi, the independent Trustees, left the Board. In addition, the term for the Managing Trustee, Ms. Nancy Cheruiyot, ended.

As a result, the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries & Cooperatives appointed Ms. Mary Basweti Nyachae, Ms. Jane Likimani Gachanja and Mr. Yunis Ibrahim Sheikh as an independent members of the Board of Trustees, while Ms. Jane Kahithe Ndung'u was appointed as the Ag. Managing Trustee, pending the substantive recruitment of the Fund's Managing Trustee.

During the year under review, Mr. Joseph Kirubi replaced Mr. John Njoroge Irungu as the Representative of the Parent Ministry at the Board.

The Board membership is as set out on page iv-ix.

8.0 Challenges

The Fund continues to experience shortage of financial resources to enable it expand its services to more subsectors. I am hopeful that going forward the Government will avail more funds to support development in subsectors. At the same time, ComFund will continue seeking strategic partnerships to supplement internal resources to grow its portfolios.

Notable in the year under review, delayed concurrences negatively affected the Portfolio growth. Whereas we were able to attract business, we achieved only 35% of the disbursement target and the Fund is working on addressing the challenges that are there.

9.0 Conclusion

During the financial year, the Parent Ministry provided an enabling environment that has made it possible for the Fund to continue to carrying out its mandate.

I am grateful also to the Treasury and by extension the Government, for the support, advice and facilitation that my Board and the Commodities Fund received. I appreciate the support and goodwill from all our stakeholders. Lastly, I appreciate my fellow Trustees, the Management and the members of staff for their dedicated efforts towards achieving the ComFund's vision: '*Wealthy Farmers in Kenya*'.



Signed

Mr. Danson Ngaari
Chairman, Board of Trustees

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

5. REPORT OF THE MANAGING TRUSTEE

1.0 Introduction

Dear stakeholders, I present to you, the financial performance of Commodities Fund for the year ended 30th June, 2022.

Having understood that the Covid-19 pandemic would become part of our lives and with world economies reopening during this period, at commodities Fund, we undertook mitigating measures, including continued automation of our service delivery. Our greatest concern at this point still remains the health and wellbeing of all our stakeholders, including the farming community. We will keep on emphasizing the need to observe given health guidelines to continue normalizing our lives and undertaking our noble agricultural activities.

As we end the financial year, we are preparing ourselves for the general elections, with an expectation that the new administration shall be in place by the end of September 2022. Our expectation is a peaceful transition and continued support for the agricultural sector leading to recovery of our national economy.

Despite the challenges brought about by the pandemic, fragile legislative framework, inadequate lending capital for other scheduled crops, the Fund performed well and continued to fulfil its mandate to support the development of the crops sector through provision of affordable and easily accessible credit.

2.0 Financial Performance

During the period under review, income reduced to **Kshs. 402 million** from **Kshs.498 million** reported in 2020/2021, a 19% decline that is attributable to loss of business as a result of delayed concurrence from the Parent Ministry to disburse loans. The reported income includes recurrent grant from government amounting to **Kshs. 66 million**, of which **Kshs. 50 million** was meant for ordinary recurrent and **Kshs. 16 million** for recurrent portion of Coconut Revitalization Project.

The operational cost of the Fund before provisions for non-performing loans stood at **Kshs. 262 million**, being 3% increase from **Kshs. 255 million** incurred in 2020/2021. The growth in cost is attributed to employment of thirteen (13) new staff members in November 2020.

Cumulative loan loss provisions for non-performing loans was **Kshs. 19,481** compared to **Kshs 19,399** reported in 2021. The resulted to marginally increase in provision of **Kshs 82 million** compared to decline off **Kshs. 593 million** 2021.

Impressive surplus amounting to **Kshs 58 million** was realized in the year compared to **Kshs. 836 million** in 2021.

Total assets of the Fund grew by mere 2.5% to **Kshs 3,372** from **Kshs 3,289 million** reported previously.

3.0 Credit Portfolio

The loan book comprised of coffee, sugar and coconut portfolio that supported production, processing and value addition. During the financial year, the Fund disbursed **Kshs. 243 million**, **Kshs. 12 million** and **Kshs. 3 million** and to coffee, coconut and sugar subsectors respectively towards farm inputs, crop establishment, processing and purchase of machinery. In the same

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

period, **Kshs. 465 million** was recovered from advanced sugar loans and **Kshs. 149 million** from coffee loans.

The greatest challenge remains collection of the non –performing historical loans, bulk of which were inherited from the defunct Kenya Sugar Board and Coffee Development Fund. The Fund has been seeking for debt write off for these loans from the National Treasury through our Parent Ministry.

4.0 The ISO 9001:2015 certification

The Commodities Fund’s ISO 9001:2015 certificate lapsed in 2019/20 financial year. As a result, a process for recertification was initiated. By the end of the Financial Year, though it was not yet complete, the process was at an advanced stage. In this, the Fund has reviewed its quality Management Framework and policy, documented its processes in various functions, established a risk register, and identified various stakeholders, together with their service delivery needs. The scope of the Quality Management System under the recertification is expected to expand, given that the Commodities Fund has opened regional offices, which had not been factored in, in the earlier certification. In addition, the loan portfolios have grown into three, after establishment of Coconut Fund. The lapsed certification had covered only two portfolios: Coffee and Sugar.

It is expected that the recertification shall be concluded in 2022/23 financial year, so that the Commodities Fund can demonstrate to all its stakeholders and partners the continued quality of its service delivery, guided by ISO 9001:2015 Quality Management System.



Ms. Nancy C. Cheruiyot
Managing Trustee

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FY 2021/2022

Commodities Fund has seven (7) strategic pillars and objectives within its Strategic Plan 2018-2023 upon which its annual work plans are based. These are:

Pillar 1: Resource Mobilization

Pillar 2: Credit Management

Pillar 3: Legal and Regulatory Framework

Pillar 4: Price Stabilization

Pillar 5: Capacity Building and Partnerships

Pillar 6: Operational Excellence

Pillar 7: Organizational Capacity.

Assessment of the Fund's performance against its annual work plan is done on a quarterly basis. The *Fund* achieved its performance targets set for the FY 2021/2022 period, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Resource Mobilization	To mobilize Kshs 1.25 billion by 2023 to finance scheduled crops	Funds mobilized	Prepare funding proposals aligned to the Big Four Agenda (coconut, cashew nut and banana)	The Fund sought funding through preparation of funding concept notes for development of coconut, cashew nut and bananas subsectors in the Medium-Term Expenditure Framework (2022/23 to 2024/25). During the FY 2021/22, the Fund was allocated by GoK Kshs 100 million (Kshs 50 million for coconut subsector and Kshs 50 million for recurrent expenditure) and this amount was received.
Credit Management	To reduce the loan turnaround time (from 2 months to 3 weeks for repeat and 3 months to 1 month for new customers)	Reduced turnaround time	i. Communicate the loan application window calendar to farmers ii. Collaborate with stakeholders to gather farmers' data e.g Sacco, Millers etc iii. Implement Service Level Agreements (SLAs)	i. The Regional offices communicated to coffee and sugar clients on loan application windows ii. The Fund collaborated with the Commissioner of Cooperatives, Marketers and Cooperative Societies. iii. Implementation of the Service Level Agreements (SLAs) was undertaken within departmental functions and quarterly adherence reports prepared.
	To grow the loan portfolio from Kshs 7.8 billion in 2018 to Kshs 19.1 billion by 2023	Disburse Kshs 585 million to coffee, sugar and coconut subsectors	i. Develop and implement marketing strategy and plan ii. Expand and strengthen regional presence	Kshs 258.6 million (sugar portfolio Kshs 3.0 million, coffee portfolio Kshs 243.1 million and coconut portfolio Kshs 12.5 million) was disbursed to farmers against a target of Kshs 585 million . The negative variance of Kshs 326.4 million is attributed to requests pending

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

				concurrence and loan requests awaiting security perfection.
	To reduce NPLs from 70% in 2018 to 20% by 2023	Reduced PAR	<ul style="list-style-type: none"> i. Classify loanees as per the NPLs restructuring policy ii. Negotiate with loanees on new terms of repayment iii. Forward loan defaulters to the CRB system iv. Crystalize of loan security 	The PAR for coffee and sugar loan portfolios were 58% and 74% respectively. The target was 20% and 25% for the coffee and sugar portfolio in the period under review. Debt Recovery Unit is engaging loanees with Non-Performing Loans with the view of having the accounts rescheduled and loan repayment agreements executed.
Legal and Regulatory Framework	To have a supportive legal framework	Revised Crops Act	Follow up with the Ministry on the need for legislative reforms and involvement of the Attorney General in the pursuit	Sectorial reforms have not been successful; the Fund intends to pursue it further.
Price Stabilization	To facilitate the reduction of commodities' price volatility	No of contracts entered into	<ul style="list-style-type: none"> i. Link up with providers of agricultural markets information ii. Share market price information on USSD platform, and Fund website and publications 	MoALF&C established a taskforce to develop price stabilization framework mechanisms for coffee and sugar subsectors. The Fund was represented by the BoT Chair and the Managing Trustee.
Capacity Building and Partnerships	To build borrowers capacity in Financial Management, Crop husbandry and Governance	Increased farm productivity and loan repayment	i. Develop capacity building programs in consultation with stakeholders	ComFund developed a capacity building program and incorporated in the workplan and Performance contracting targets for the financial year 2021/2022. Conducted training of three hundred (300) coffee farmers in Narok, Nakuru, Kirinyaga, Meru and Bungoma Counties for the coffee sub sector; Counties. In addition, the Fund conducted sensitization forums in Kilifi, Taita Taveta, Tana River and Kwale Counties for the coconut sub sector; Kwale and Kericho Counties for the sugar subsector. The training areas included good agricultural practices, debt management and Fund's loan services.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

Operational Excellence	To reduce the operational cost to revenue ratio from 117% in 2018 to 88% by 2023	Increased efficiency	<ul style="list-style-type: none"> i. Automate business processes ii. Train staff and customers on use of ICT systems iii. Sensitize customers and implement the service charter iv. Develop departmental annual work plans and budgets v. Align work plans with budget allocation vi. Management of outsourced services 	<ul style="list-style-type: none"> i. The automation of business processes is ongoing. ii. Continuous training of staff on web-based modules such as loan and performance appraisals is ongoing for all the staff. iii. Sensitization on the customer service charter was done during the farmers' field days and other stakeholders forums. iv. Departmental annual work plans and budgets for 2021/22 were developed in December 2020. v. Security and Courier services are outsourced at the Head Office.
Organizational Capacity	To attract and retain skilled, motivated and productive staff	Increased productivity	<ul style="list-style-type: none"> i. Undertake Training Needs Assessment (TNA) ii. Develop a training plan iii. Undertake training as per training plan Set individual targets based on the departmental work plans 	<ul style="list-style-type: none"> i. Training Needs Assessment for the year was undertaken. ii. Training Plan for 2021/22 was prepared and implemented in the year. iii. The Fund trained fifty (50) staff who are members of professional bodies for CPD and other trainings required for PC implementation. iv. Individual Performance targets were set based on the departmental work plans for 2021/22 financial year.
	To enhance good corporate governance practices	Competent and compliant Board	<ul style="list-style-type: none"> i. Undertake corporate governance training for Board and senior management ii. Implement Mwongozo guidelines 	<ul style="list-style-type: none"> i. The majority of the Board of Trustees have been trained. ii. Mwongozo guidelines were implemented. iii. The Board committees were properly constituted and quarterly virtual /physical Board meetings were conducted as scheduled.

The Fund's performance contract deliverables for FY 2021/2022 were drawn from the strategic plan and cascaded to the departmental and divisional heads for implementation. The progress reports are submitted to the Board of Trustees on a quarterly and annual basis.

7. CORPORATE GOVERNANCE STATEMENT

Corporate governance defines the process and structure used to direct and manage the business affairs of Commodities Fund with the aim of enhancing corporate accounting and stakeholders long term value. The Board of Trustees is responsible for the governance of the Fund and is committed

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. To this end the Fund has put in place, Board and Committee charters, processes, systems, practices and procedures which are frequently reviewed and updated embracing the changing corporate environment and world trends.

BUSINESS ETHICS

The Commodities Fund conducts its business in compliance with high ethical standards of business practice. In this respect, transactions with its customers, intermediaries, insiders, employees and other stakeholders are conducted at arm's length, with integrity and transparency. The business is conducted with high levels of transparency and accountability.

BOARD OF TRUSTEES

The names of the Trustees who served during the year are set out on pages iv to ix. The Board fulfils its fiduciary responsibility to the Government and other stakeholders by maintaining control over the strategic, financial, operational and compliance issues of the Fund. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Managing Trustee to conduct the day-to-day business of the Fund.

The Board of Trustees consists of five independent members (including the Chairman) , two government representatives representing the National Treasury and the Ministry of Agriculture, livestock, fisheries and Cooperatives and the Managing Trustee who is the secretary to the Board. Trustee members possess extensive experience in a variety of disciplines in business and financial management, all of which are applied in the overall management of the Fund. The Board meets at least once every three months and has a formal schedule of matters reserved for it.

a) Trustees' Emoluments

The remuneration of Trustees is subject to the guidelines issued by Salaries Remuneration Commission and the Office of the President on terms and conditions of service for State Corporations. The Trustees are not eligible for membership of the pension scheme operated for the staff.

The following tables shows remunerative allowances to the Trustees in respect of scheduled meetings, trainings and conferences for the year ended 30th June 2022. The aggregate of expenditures including none-allowances expenditures is shown on note 11 to the financial statements.

No	Trustee Name	Category of the Trustee	Honoraria (Kshs)	Allowances (Kshs)	Other Benefits	Gross pay
1	Hon. Samson Mwanicha Okioma	Chairman –Independent	434	2,091	204	2,729
2	Hon. Daniel Karaba Dickson, CBS	Independent		1,870	298	2,168

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

3	Mr.Robert Mugambi Muriithi	Independent		1,468	322	1,790
4	Mr.Joseph Kirubi	Rep- PS, Ministry of Agriculture, Livestock, fisheries & Cooperatives		242	-	242
6	Ms. Doreen Kanana Mutua	Independent		2,485	342	2,827
8	Mr. John Irungu Njoroge	Rep- PS, Ministry of Agriculture, Livestock, fisheries & Cooperatives		1,376	275	1,651
9	Hon. Dr. Julius Kipyegon Kones	Independent		3,068	324	3,392
10	Ms.Alice Nyariki Kwamboka	Rep- PS, The National Treasury		1,528	275	1,802
11	Mr.Yunis Shiekh	Independent		110	-	110
12	Ms.Theodora Gichana	Rep- Inspectorate of State Corporations		374	8	382
13	Geoffrey Kimani	Min. Agriculture		22		22
14	Mathew Tuitoek	SCAC		22		22
15	James Wang'ombe	SCAC		22		22
			434	14,678	2,049	17,160

b) Related Party Transactions

There have been no related party transactions, pecuniary transactions or relationships between the Fund and its Trustees or Management except those disclosed under note 25(b) to the financial statements.

c) The Board has set up working committees to assist in discharging its duties and responsibilities as follows:

CREDIT AND BUSINESS DEVELOPMENT COMMITTEE

The committee is mandated to review and make recommendations on the Fund's credit policies, oversight of the overall lending policy of the Fund and deliberate and consider loan applications beyond

the credit discretion limits set for management. The committee also reviews and considers all issues that may materially impact the present and future quality of the Fund's credit risk management function as well as the quality of the loan portfolio and ensure adequate bad debt provisions are maintained in line with the internal guidelines of the Fund. The committee also reviews, approves and monitors the management's compliance with applicable Fund policies and other relevant statutes.

FINANCE, HUMAN RESOURCES AND GENERAL PURPOSES COMMITTEE

The committee is mandated to review and make recommendations on the Fund's financial and accounting policies, review and make recommendations on the Fund's Annual Budget, review and make recommendations on financial reports of the Fund. Further, the committee reviews the performance of the Fund as well as that of the Managing Trustee and considers all issues that may materially impact liquidity of the Fund.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

The committee is also mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the Board in discharging its corporate governance role by reviewing staffing needs of the Fund, appoints senior management staff, reviews training needs and undertake disciplinary measures as per the staff policies.

AUDIT COMMITTEE

The Committee is mandated to raise the standards of corporate governance by reviewing the quality and effectiveness of the internal control systems, the internal and external audit functions and the quality of financial reporting. In addition to advising the Board on best practice, the committee also monitors management's compliance with relevant legislation, regulations and guidelines as well as the Fund's laid down policies and procedures. The committee is responsible for overseeing the implementation of the Fund's risk management framework to ensure that all existing and potential significant risks are identified and effectively managed. The committee considers both internal and external sources of information regarding risks to keep abreast with new developments and their potential impact to the business. The committee receives periodic reports from the internal audit function relating to the Fund's identified risks.

BOARD MEETING ATTENDANCE

During the year 2021/2022, the number of meetings held by both full Board and the committees are tabulated below:

No.	Trustee Name	Full & Special Board Meetings			Credit & Business Development Committee			Finance, Human Resource & General Purpose Committee			Audit, Risk Committee & Governance Committee		
		Meetings Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meetings Attended	%	Meeting Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meeting Attended	%
1	Hon. Samson Mwanicha Okioma	8	8	100									
2	Hon. Daniel Karaba Dickson	10	10	100	6	6	100	5	5	100			
3	Mr. Robert Mugambi Muriithi	15	15	100	5	5	100	5	4	80			
4	Theodora Gichana	18	7	39	8	3	38	6	3	50	5	4	80
5	Ms. Doreen Kanana Mutua	18	18	100	8	8	100				5	5	100
6	Mr. John Irungu Njoroge	11	11	100	5	5	100	5	4	80			
7	Dr. Julius Kipyegon Kones	18	18	100	8	7	88	1	1	100	5	4	80
8	Alice Nyariki Kwamboka	18	18	100				6	6	100	5	5	100
No.	Trustee Name	Meetings Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meetings Attended	%	Meeting Required to Attend	Meeting Attended	%	Meeting Required to Attend	Meeting Attended	%
9	Joseph Kirubi	7	7	100	2	2	100	1	1	100	1	1	100
10	Yunis Sheikh	3	3	100	1	1	100	1	1	100			

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

TRUSTEES APPOINTMENT AND SUCCESSION PLANNING

The Commodities Fund Trustees are appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture, Livestock, Fisheries and Cooperatives as required by Crops Act, 2013, (Section 9) and amended in 2016. Appointment of trustees is staggered to ensure continuity of the Board. Members of the Board are removed from office by gazette notice from the same appointing authority. The Managing Trustee is formally appointed by the Cabinet Secretary In-charge of the Ministry of Agriculture, Livestock, Fisheries and Cooperatives upon recommendation by the Board of Trustees.

BOARD INDUCTION AND TRAINING

New Trustees to the Fund are inducted to office by existing Trustees and the Management and there after trained in corporate governance. Further, all Trustees are trained in areas that enhance their performance in the committees and the Board.

BOARD PERFORMANCE EVALUATION

The Chairman conducts evaluations of the performance of the Board, individual Trustees and Board Committees annually. In addition, the Board and its Committees undertake an annual evaluation of their performance and report their findings and any resulting recommendations to the Board. The Board also undertakes an evaluation of the performance of the Chairman. The Board discusses the results of its evaluations and uses the process to constructively improve its effectiveness.

COMPLIANCE

The Board provides oversight to ensure that management adheres to all applicable laws, regulations, governance codes, policies, procedures and systems to monitor and control compliance across the bank. Additionally, the Fund prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Finance Management Act, 2012.



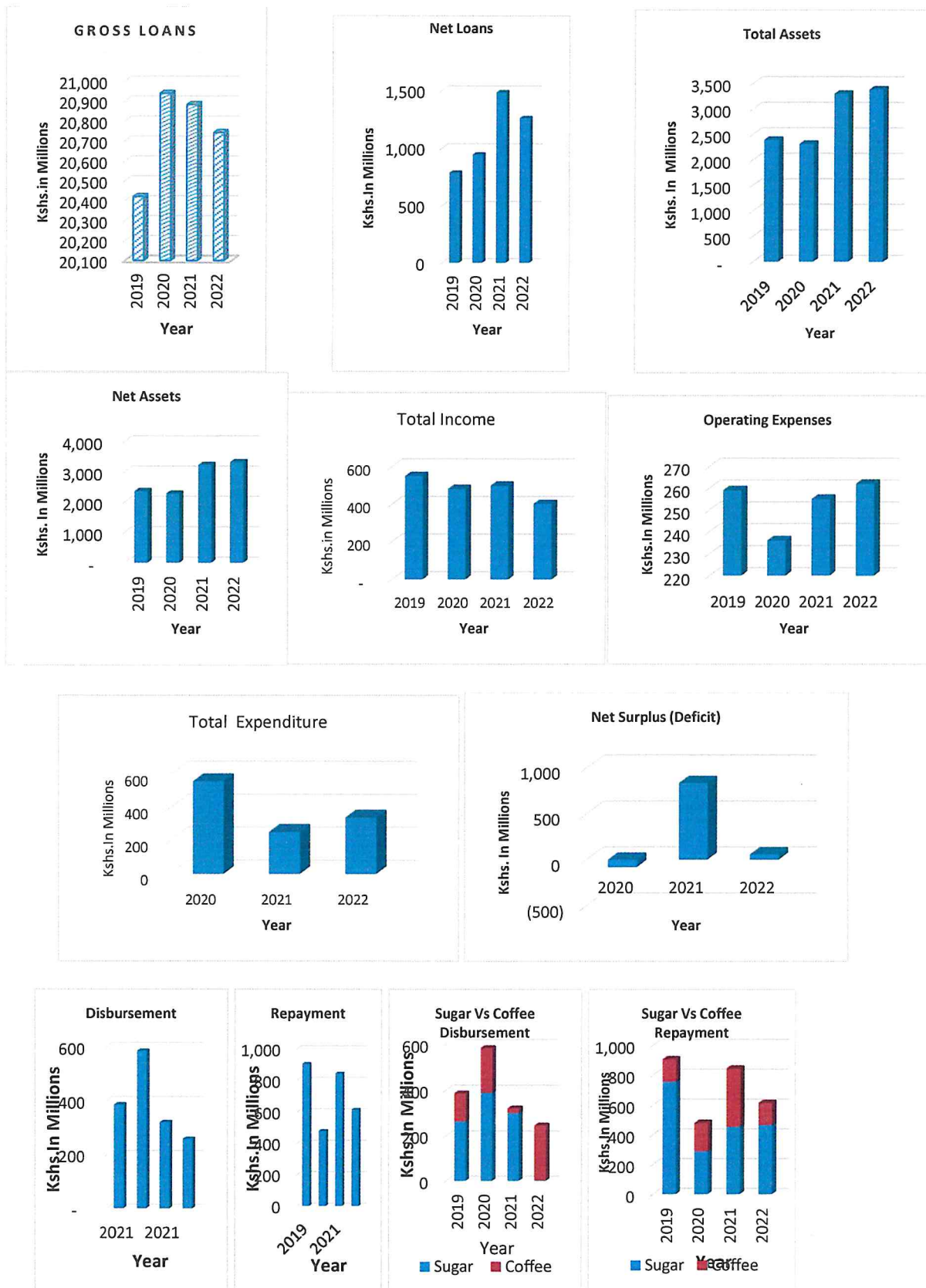
Mr. Danson Ngaari
Chair Board of Trustees

16/02/2023

Date

8. MANAGEMENT DISCUSSIONS AND ANALYSIS

Key Financial Parameters



Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

1.0 Highlight of Financial Performance

The Commodities Fund mandated is to provide sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops.

The Fund is currently financing coffee, sugar and coconut sectors that have established a combined capital fund of **Kshs. 15,298,805** with corresponding gross loan portfolio amounting to **Kshs. 20,741,759**. The coffee and coconut capital fund was grant from government while the Sugar Fund was built up from sugar levy previously collected by former Kenya Sugar Board. Cumulative provision for non –performing loans stood at **Kshs.19,481,441** leaving net loans amounting to **Ksha.1,260,318** compared to **Kshs.1,481,923** reported in 2020/2021. The declined is attributed to loan declining loan disbursement.

Summarized Financial statement

	2019	2020	2021	2022
	Ksh'000'	Ksh'000'	Ksh'000'	Kshs '000'
Summarize Statement of Financial Position				
Gross Loans and Interest	20,420,906	20,937,864	20,881,585	20,741,760
Provisions on Non- Performing Loans	(19,633,724)	(19,992,830)	(19,399,662)	(19,481,441)
Net Loans and Interest	787,182	945,034	1,481,923	1,260,319
Other Assets	1,536,849	1,308,981	1,754,489	2,070,275
Property plant and Equipment	64,006	52,916	53,085	42,536
Total Assets	2,388,037	2,306,931	3,289,497	3,373,130
Total Liabilities	26,606	24,391	63,825	56,251
Net Assets	2,361,431	2,282,540	3,225,672	3,316,879
Capital Reserves	15,233,139	15,233,139	15,264,852	15,298,805
Revenue Reserves	(12,871,708)	(12,950,599)	(12,039,181)	(11,981,926)
Total Net Reserves	2,361,431	2,282,540	3,225,672	3,316,879
Summarize Performance Statement				
Income from Lending Activities	433,844	385,097	360,356	219,236
Income from Non-Credit Activities	116,025	95,488	89,871	113,287
Grant			48,289	69,735
Total Income	549,869	480,585	498,516	402,261
Expenditure				
Operating Expenses	258,714	235,753	255,151	262,221
Increase /(Decrease) in Provision	9,113,574	327,092	(593,118)	81,779
Total Expenditure	9,372,288	562,845	(337,967)	343,782
Net Surplus (Deficit)	-8,822,419	(82,260)	836,483	58,260

During the year, ComFund disbursed loans amounting to **Kshs. 258,634** broken down into **Kshs. 243,135**, **Kshs. 3,010** and **Kshs12,489** to coffee, sugar and coconut sectors respectively. This was 20% drop from **Kshs. 321 million** disbursed in 2020/2021.

Total assets held by the Fund amounted to **Kshs.3,372,949** being 4% growth from **Kshs.3,225,672** reported in 2021.

Liabilities of the Fund amounted to **Kshs.55,852** being 12.5% drop from **Kshs.63,825** reported in 2021.

Commodities Fund

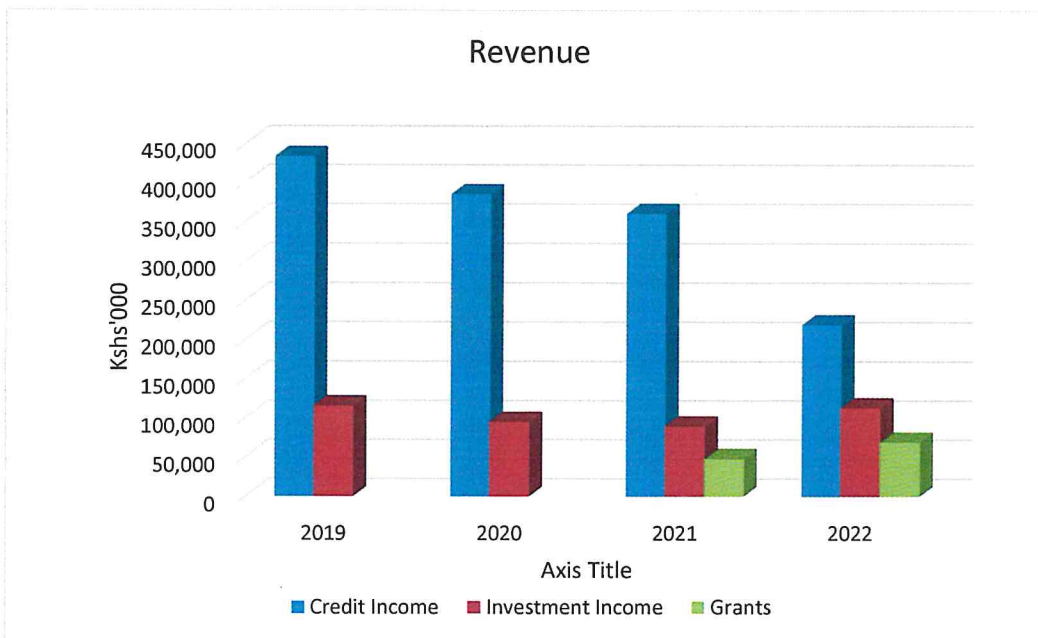
Annual Report and Financial Statements for the Year ended 30th June 2022

Revenues from core business of the ComFund recorded **40%** decline from **Kshs. 365,303** in 2021 to **Kshs. 219,236** in 2022. The decline is attributable to interest freezing on Non-performing loans on both Coffee and Sugar portfolio and low disbursement occasioned by requirement to secure concurrence from the parent ministry before disbursement.

Investment were up by

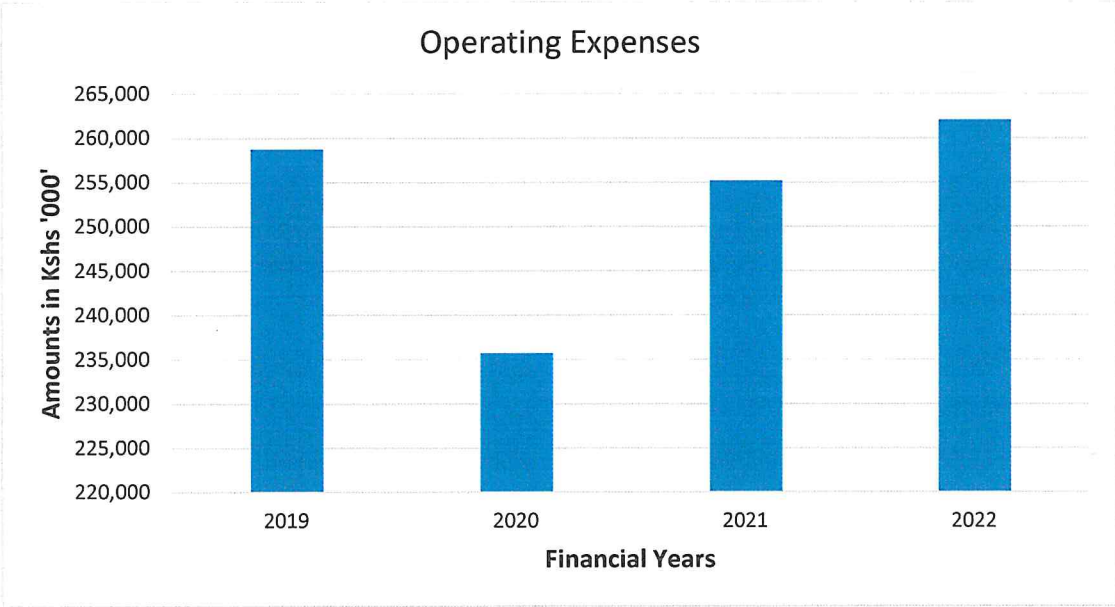
Investment revenues grew by **26%** to **Kshs, 113,287** from **Kshs. 89,870** posted in 2021. The growth was driven by high surplus cash that was available for investment.

Grant income grew to **Kshs .69,738 (44%)** from **Kshs.48,289** reported in 2021. Included in the income was **Kshs. 3,691** received from AFA to cater for Coffee Task Force appointed by the Cabinet Secretary In-Charge of the parent Ministry and whose secretariat was domiciled at Commodities Fund.



The Operating cost of the Fund grew to **Kshs 262,221 (3%)** from **Kshs. 255,151** reported in 2021 which was attributed to new staff members employed in November 2020 to boost capacity of the Fund.

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**



Loan loss provision increased by **Kshs. 81,779** to **Kshs. 19,481,441** from **Kshs 19,399,662** reported in June 2021. Comparative loan loss provision in 2021 was **Kshs. (593,118)** that was a decline from **Kshs. 19,992,880 reported in 2020 to 19,399,662** in June 2021.

Net surplus of **Kshs. 58,260** was reported in 2022 compared to **Kshs. 836,483 in 2021**. The impressive surplus in 2021 was attributed reduction of provision after loan securities were first introduced in computation of loan loss provision.

2.0 On-going Project

The Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops commenced lending to coconut subsector in December 2020. The credit to the sector is administered under Coconut Revitalization Project which is funded by the National Government. The objective of the project is to provide appropriate credit facilities on timely basis and as per identified needs as well as provision of coconut seedlings to farmers. The total cost of project is Kshs One billion broken into capital fund of Kshs. 812.50 million and recurrent expenditure of Kshs.187.5million. The project will run over five year period to 2025.

3.0 Compliance with statutory requirements

The commodities Fund has fully complied with statutory requirement including filing and remittance of tax returns, deduction and remittance of various statutory returns and filing of financial statements with the office of Auditor General for audit.

4.0 Major Risks Facing the ComFund

The Board of Trustees has overall responsibility for the establishment and oversight of the Fund’s risk management frameworks. The Fund’s Risk Management Policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor adherence limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Subsequently, the Fund identifies and manages risk through in-house risk review enhanced by internal and external audits. Major risks identified include:

i) Liquidity and Funding Risk

Liquidity risk is potential for loss to the Fund arising from its inability to meet obligations as they fall due or to fund increases in assets without incurring unacceptable costs or losses. Effective liquidity management is essential to maintain confidence of customers, suppliers and other stakeholders and to enable Fund's core business to continue even under adverse liquidity circumstances.

Mitigating Liquidity/ funding risk

a) Prudent planning

The Management has set systems in place to meet all foreseeable funding commitments as they fall due and the Fund will not face difficulties meeting its current and future financial obligations or financial liabilities as they fall due.

b) Budgeting

The Fund enters into lending agreements subject to availability of funds. Investments in major assets is preceded by budget and purchased when the Fund has sufficient cash flows.

c) Financial Controls

The Fund has in place a system of internal controls with defined procedures, financial and operational controls to ensure resources are safeguarded; transactions authorized, validated and reported in line with International Financial Reporting Standards.

d) Audits and Financial Reports

The Fund has established Boards Audit committee as well an internal audit office to ensure that its financial controls put in place are effective. In addition, as a public institution, the Fund is subject to public auditing by the office of Auditor general.

Periodically the Fund makes statutory reports to relevant offices, agencies and institutions, including the Board of Trustees, line ministry and the Treasury, as a financial control mechanism.

e) Stringent recovery of advanced credit

Management has been lobbying for funding from GoK and has come up with stringent lending conditions that ensures funds lent out is paid back to the revolving fund thus reducing the existing funding risk.

f) Lobbying for government Funding

Government of Kenya (GoK) was the source of capital funds currently used to finance the Coffee Sector. The funding of sugar sector is from the capital accumulated from Sugar levy abolished in July 2016.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

Commodities Fund has not been receiving capital grants from government or any other source and risked running into liquidity risk. Beginning 2020/2021, the Fund will receive both recurrent and capital grants from government thus reducing liquidity risk. Further, the Fund will also seek GoK authority to write off non-performing loans in sugar sector that will significantly reduce the existing capital fund.

ii) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. Currently, the Fund is unable to collect substantial portion of the loan portfolio and accrued interest on both Sugar and Coffee sectors.

Mitigating credit risk

a) Credit policies

To this address this risk, the Fund has developed policies to ensure loans are granted to farmers with an appropriate credit history.

b) Loan Appraisal and evaluation

The credit department assesses the credit quality of each borrower, taking into account their financial position, past credit experience and other factors.

c) Debt collection

The Fund has engaged services of debt collectors to deal with some of the default cases.

d) Automating Risk management

Under the ERP credit module, the Fund has automated risk analysis as part of loan application and appraisal process, to identify threats that may lead to default and corresponding mitigation factors put in place to prevent such eventuality.

iii) Interest rate risk

Interest rate risk is potential of the Fund forced to charge unsustainable interest rate on its loan products in order to retain its customers and be seen to comply with the requirement of granting affordable subsidized loans to farmers.

Mitigating interest risk:

a) Unique loan features

The Fund has developed its loan products incorporating unique features that attract customers regardless of the interest aspects.

b) Growing the portfolio

Even as the Fund operates as a service (revolving) Fund, it is engaging in strategies to grow its loan portfolio. If the portfolio were large enough, it would be possible to operate in below the market interest rates, in its effort to fulfil its mandate of availing easily affordable loan facilities to farmers.

iv) Operational Risks

Operational risk is the potential of a loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can widely occur in Fund due to human errors or mistakes. Examples of operational risk may be incorrect information filled in during clearing or loan processing.

Operational risks may be further categorized as follows:

- Human risk: Potential losses due to a human error, done willingly or unconsciously.
- System risk: Potential losses due to system failures and programming errors
- Processes risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing.

Mitigating Operational risks:

The Fund is in the currently implementing an ERP that will integrate all its processes in order to mitigate the exposure to such attacks and errors.

5.0 Material arrears in statutory/financial obligation

The ComFund does not have any statutory arrears or any financial obligation to any government agency or lender.

6.0 Economic Overview

The Kenyan economy grew by 6.7% in 2021 after 0.3% contraction in 2020. Growth was driven by services on the supply side and by private consumption on the demand side, both benefiting from supportive policies and eased COVID-19 restrictions. Inflation climbed to 6.1% in 2021 from 5.3% in 2020, reflecting increased input costs. The fiscal deficit nudged down to 7.9% of GDP in 2021 from 8% in 2020 due to improved revenue, reversed tax cuts as the economy recovered, and rationalized spending. Public debt surged to 68% of GDP at end-June 2021 from 63% in 2020, driven by the primary deficit.

Outlook and risks

According to World Bank Kenyan GDP is projected to decelerate to 5.9% in 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors. Inflation is projected to edge up to 7%, close to the upper end of the target band (7.5%), caused by greater energy and food inflation. The fiscal deficit will narrow to 6.5% of GDP in 2022 and to 5.5% in 2023 with the resumption of the IMF-supported fiscal-consolidation and debt management program. The current account deficit is projected to widen further to 6.1% and 5.2% of GDP over the two years, attributable to higher fuel and food import bills. Downside risks could stem from the 2022 general election.

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

7.0 Sector

During the year, the ComFund disbursed loans amounting to Kshs. 258.6 million to borrowers within coffee, sugar and coconut subsectors. The disbursements were broken into Kshs. 12.487 million to Coconut, Kshs. 243.135 million to Coffee and Kshs. 3.010 million to Sugar. This was 20% drop from Kshs. 321 million disbursed in 2020/2021.

The sugar sector which holds 93% of ComFund's loan portfolio continues to record very poor performance due to myriad challenges. 62% of the Sugar loan book is owed by the five (5) Public owned mills which are faced with a myriad of challenges ranging from poor governance, inadequate capital, high debt portfolio, ageing and obsolete technology, operational inefficiency, labor related issues and prolonged receivership. This is the major reason for the high indebtedness in terms of substantial amounts of money owed to farmers, suppliers and employees for raw material, goods and services rendered, huge un serviced loans and interest to financiers, compounded by stiff competition from poorly regulated imports/ smuggling, loss making operations and failed projects that have left the companies with huge debt burden without corresponding assets. This has made it very difficult for the industry to attract fresh funds particularly from commercial sources.

The public owned mills operate ageing mills with obsolete technologies. This is exacerbated by the lack of maintenance of these mills due to lack of funds. Inevitably the mills currently operate below fifty percent of their installed capacities due to lack of cane, milling of immature cane, poor maintenance of mills and equipment. As a result, these mills are technically insolvent and cannot break even and consequently accumulate debt on a daily basis making it difficult to service their debt obligations including those inherited by the Fund.

The Industry as a whole is also faced with funding challenges following the abolition of sugar levy that was the sole source of funding for the Industry. The unfortunately has created a culture of requesting for bailouts from Government. The planned leasing of government owned sugar mills that was expected to operationalize the mills and address the debts seems to have stalled.

Kenya's coffee production has been on a decline as many farmers take to other crops in particular avocado and macadamia while others sell their farmlands to real estate developers due to various challenges. Coffee production declined by 6.0% to 34.5 thousand tonnes in 2020/21, a decline that was attributed to increased cost of farm inputs, leaf rust infestation, and the shift in land use from coffee farming to real estate, in addition to the unfavorable weather conditions.

8.0 Future development

Commodities Fund in line with its mandate of providing sustainable, affordable and accessible credit and advances to farmers for value chain development of scheduled crops will in the year launch Cashew Revitalization Project. The project will be funded by the National Government over a period of five years to a tune of Kshs.850 million broken down into Capital of Kshs. 680 million and recurrent of Kshs. 170 million.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT

Commodities Fund's vision is to create wealthy farmers in Kenya, an outward looking vision, that focuses on the impact of implementing the ComFund's mandate to finance the crops sector in Kenya. In this, the ComFund's focus is to deliver financial services to the farming community in a manner that brings about client satisfaction in an efficient and effective manner. This includes caring for the environment that we, as the Fund operate in and responding to client needs

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

appropriately and in a sustainable manner. This is undertaken under the organizational policies and activities as outlined below:

i) Sustainability Strategy and profile

During the financial Year, the Commodities Fund operated under guidance of its strategic Plan 2018-2023 that was developed after wide consultations and scanning of the environment that the organization operates in. The outcome was a strategic plan that among other areas, took into consideration need to care for the environment and sustainability.

Based on this, during the financial year, the ComFund was able to undertake activities as indicated in (v) below.

ii) Environmental Performance

The Commodities Fund has a Corporate Social Responsibility policy enacted to guide the implementation of its environmental programmes. Based on this policy, the Fund identified need to support the farming communities through provision of free seedlings.

During the Financial year, the Fund distributed free coffee and coconut seedlings (See V below).

iii) Employee Welfare

The Fund has in place relevant Human Resource Policies and procedures to guide the management of its Human Resource, taking into consideration principles as fairness, transparency and equity in all the processes.

During the Financial year, the Fund managed employee's work place welfare and wellness through provision of comprehensive medical insurance, WIBA and Life Insurance covers. The Fund also has a contributory pension scheme for the benefit of its employees. Further, for personal development of its employees, the Fund has in place S mortgage and car loan schemes that are compliant with the provisions of the Salaries and Remuneration Commission in regards to these benefits.

For the achievement of the corporate as well as individual employees goals during the year, staff individual performance targets were set from the corporate Performance Contract and performance evaluated bi-annually. Individual employee performance guided in the training needs identification for purposes of addressing the gaps and work towards continuous improvement.

iv) Market Place Practices

a) Responsible Competition Practice

The Fund has in place a Credit Policy which guides its credit lending activities. Lending decisions are vested in Committee to avoid the decisions being made by one person and improve transparency. The Fund exercises the care, diligence and skill of a responsible lender in all its dealings with borrowers and guarantors. This includes valuation of securities before advancing credit facilities to ensure the loan is secured. In addition, a Debt Recovery Unit has been set up with a Debt Recovery Policy in place in boost recovery efforts of the fund. The Fund also partners with likeminded institutions in training of farmers on the latest agricultural husbandry practices.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

b) Responsible supply chain and supplier relations

During the Financial year, the Fund continued to demand disclosure from its service providers in adherence to acceptable ethics by signing relevant commitment forms during the registration of suppliers, tenders and Request for Quotations. The Fund has required prospective suppliers to submit copy of CR 12 forms which indicate shareholding of the firms as part of disclosure.

During the Covid-19 Pandemic period, the Fund managed to hold supplier sensitization meetings on 17th June, 2021, but with strict compliance to the Ministry of Health guidelines. The Fund has also continued to advertise for procurement opportunities and publish awards in the Government portal as a way of promoting transparency and fairness among prospective bidders.

c) Responsible Marketing and Advertisement

Commodities Fund has in place a communication policy manual that guides on the applicable standards to be maintained when undertaking marketing and other media engagements. All advertisements and publicity engagements during the financial year were subject to these communication policy guidelines.

d) Product Stewardship

The Fund has continued to create awareness to the stakeholders on the available channels of feedback, customer inquiry or customer complaints with regard to its services or products, when they arise. During the financial year, the Fund received and successfully resolved all customer complaints recorded with regard to services offered. In addition, the Fund availed information to the stakeholders on each and every inquiry or request for information that was received.

v) Corporate Social Responsibility/ Community Engagements

During the financial year, within the framework of its CSR policy, the Commodities Fund identified and implemented programmes on two areas: Purchase and distribution of Coffee Seedlings and Coconut seedlings.

These two activities were also undertaken as part of fulfilment of its environmental sustainability obligations of increasing the forest cover within the farming communities.

On Coffee seedlings programme, the Fund not only purchased and distributed 30,000 to farmers in the counties of Nakuru, Kirinyaga and Narok counties, but also provided farmer capacity building under the auspices of Integrated Coffee Productivity Project (ICPP).

In each of the above counties, a maximum of four coffee societies were targeted (In Nakuru (Mutungati, Jumatatu, Ng'arua (Laikipia County) and Kiremba farmers Societies); Kirinyaga County (Karithathi, Mirichi, Mutira and Mwirua societies); and Narok County (Baraka, Chemulo and Shankoe societies)). In each society, the management was tasked to identify 50 beneficiaries of the programme, who were trained and then given seedlings to establish under supervision. It is expected that these trained beneficiaries of the CSR programme would become the demo-farmers for the benefit of others within the said societies.

On coconut seedlings, the program benefitted coconut farmers counties in Taita Taveta County: (Subira, Majengo and Kimorigo farmer groups); Kilifi County: (Kaloleni CBO; Jibana Society; Madeteni coconut producers consortium; Tezo Roka farmers and New Galana Farmers) and Kwale county (Kwale coconut producers Cooperative Society),

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

The Commodities Fund purchased, through community procurement method, certified seedlings from licensed nursery growers, which were distributed to the beneficiaries, with Taita Taveta county farmer groups getting, 10,000 seedlings, Kwale: 8254 and Kilifi: 11746 seedlings. A total of 1854 farmers in the three counties, including youth and women, benefited from the program. In the next financial, the Fund intends to augment these programmes by targeting more beneficiaries.

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

10. REPORT OF THE TRUSTEES

The Board of trustees submit their report together with the audited financial statements for the year ended ending 30th June 2022 which shows the Commodities Fund affairs.

i) Principal activities

The principal purpose of the ComFund is to provide sustainable, affordable credit and advances to farmers, co-operative societies, millers and out grower institutions for farm development, farm inputs, farming operations, farm machinery, factory rehabilitation and price stabilization.

ii) Results

The results of the ComFund for the year ended 30th June, 2022 are set out on page 1.

iii) Trustees

The Trustees who served for the year ended 30th June 2022 are shown on pages Viii- xiii. During the year the tenure of office of the Chairman Hon. Samson Okioma ended on 14th December 2021 and was replaced by Dr. Danson Ngaari on 5th July 2022. Secondly, two Trustees Hon. Daniel Karaba and Mr. Robert Muriithi left the Board in February and March 2022 respectively. The two Trustees were replaced by Ms. Mary Nyachae and Ms. Jane Likimani who joined the Board in June 2022. Further, Mr. Yunis Shiekh was appointed into the Board of Trustees in March 2022 while Mr. John Irungu who represented Principal Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives was replaced by Mr. Joseph Kirubi from the same Ministry in March 2022. Further, the Managing Trustee Mrs. Nancy Cheruiyot left the Board in February 2022 and was immediately replaced by Mrs. Jane Ndung'u from the Ministry of Agriculture Livestock, Fisheries and Co-operatives on Acting Capacity pending recruitment of a new Managing Trustee.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Commodities Fund made surplus of Kshs. 58,260,000 (FY2021 Kshs. 851,208,000) but has not remitted surplus to the consolidated Fund due to operational deficit brought forward from past years.

vi) Auditors

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

By order of the Board.

**Mr. Nesline Gechuki Okiko
Legal Manager**

16/02/2023

Date:

11. STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

The Trustees are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the *ComFund* for and as at the end of the financial year ended 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the *ComFund*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *ComFund's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the *ComFund's* financial statements give a true and fair view of the state of *ComFund's* transactions during the financial year ended June 30, 2022, and of the *ComFund's* financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the *ComFund*, which have been relied upon in the preparation of the *ComFund's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The *ComFund's* financial statements were approved by the Board of Trustees on 29th September, 2022 and signed on its behalf by:



Mr. Danson Ngaari
Chair
Board of Trustees



Ms. Nancy C. Cheruiyot
Managing Trustee

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REPORT OF THE AUDITOR-GENERAL ON COMMODITIES FUND 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 intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Commodities Fund set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2022,

Report of the Auditor-General on the Commodities Fund for the year ended 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Commodities Fund 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 comply with the Crops Act, 2013 (Amended in May, 2016) and the Public Financial Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Prior Year Adjustments

The statement of financial position and as disclosed in Note 26 to the financial statements reflects revenue reserves of (Kshs.11,981,926) which includes a prior year adjustment figure of (Kshs.1,006,000) dating back to 2016/20217 financial year that could not be traced in the prior year operations. Although the Management explained that the prior year adjustments arose after a reconciliation of loans, the reconciliation amounts were not supported by the loan statements.

In the circumstances, the validity, accuracy and completeness of the prior year adjustments of (Kshs.1,006,000) could not be confirmed.

2. Lack of Logbooks for Motor Vehicles

The statement of financial position reflects property, plant and equipment balance of Kshs.17,364,000 whose original cost as disclosed in Note 21 to the financial statements was Kshs.170,172,000. Included in the balance of Kshs.170,172,000 were motor vehicles with a cost of Kshs.65,208,000. However, the Fund did not have logbooks for one motor vehicle and one motorcycle costing Kshs.8,859,358 and Kshs.111,071 respectively, both totaling to Kshs.8,970,429.

In the circumstances, ownership status of the motor vehicle and the motorcycle valued at Kshs.8,970,429 could not be confirmed.

3. Long Outstanding Loans

The statement of financial position reflects receivables from exchange transactions -gross loans and advances of Kshs.15,805,522,000 which comprises of gross loans and

advances for sugar, coffee and coconut of Kshs.14,801,639,000, Kshs.991,396,000 and Kshs.12,488,000 respectively as disclosed in Note 18 (iv) to the financial statements with a total provisioning of Kshs.14,686,786,000 or 93% as at 30 June, 2022.

Review of loans disbursement records revealed that a loan id LN0377 of Kshs.31,100,000 for coffee establishment had been disbursed to a farmer in Nyeri on 2 March, 2016 and was to be repaid in 18 months. However, the farmer defaulted in servicing the loan by the agreed date of 30 June, 2021 as per the re-negotiated repayment agreement with the Fund. The outstanding balance as at 30 June, 2022 was Kshs.46,289,452.

Further, the loans that were inherited from Agriculture and Food Authority, Sugar Board and Coffee Development Fund are non-performing and have outstanding overdue total principal and interest arrears balances of Kshs.3,576,176,558, Kshs.15,027,193,041 and Kshs.684,083,249 respectively all totalling to Kshs.19,287,452,848.

The Board resolved that the Fund seeks for debt write off for the non-performing loans from The National Treasury through the Parent Ministry. However, no evidence was provided to confirm that this was granted. As previously reported, even though recoverability of the loans is doubtful Management has not justified the high rate of provisioning.

In the circumstances, the accuracy and recoverability of the receivables from exchange transactions - gross loans and advances of Kshs.15,805,522,000 could not be confirmed.

4. Failure to Revalue Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.17,364,000. However, Note 21 to the financial statements reflects fully depreciated property, plant and equipment with a cost value of Kshs.140,128,248 whose residual values over the remaining useful life of assets was not estimated. This indicates a possible material variance between the fair value and the carrying value of the assets necessitating a revaluation as required under paragraph 49 of IPSAS 17 - property, plant and equipment.

Further, the Fund has no assets and liabilities management policy contrary to Paragraph 4(4.5) of The National Treasury Policy on Assets and Liabilities Management in the public sector.

In the circumstances, it has not been possible to confirm the fair statement of the property, plant and equipment net book value of Kshs.17,364,000 reflected in the statement.

5. Irregular Payment of House Allowances

The statement of financial performance reflects Kshs.115,697,000 in respect of employee costs. However, review of the payroll records for the year under review revealed that there were employees whose house allowances exceeded the approved rate by the Salaries

and Remuneration Commission (SRC) as per their respective grades resulting in an over-expenditure of Kshs.3,270,250. No evidence was provided to show prior approval for the payments of the allowances was granted by SRC.

In the circumstances, the validity of the house allowance payment of Kshs.3,270,250 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Staff Establishment and Remuneration Structure

The Fund does not have an updated approved staff establishment hence it was not possible to establish the optimal levels or number of employees per post.

In addition, the salary structure and scale used by the Fund for payment of employees' salaries and allowances was not approved by the Salaries and Remuneration Commission contrary to Article 230 (4) (a & b) of the Constitution.

In the circumstances, the regularity of the payments of salaries and allowances could not be confirmed.

2. Irregular Procurement of Security Expenses

The statement of financial performance reflects an amount of Kshs.100,402,000 in respect of use of goods and services which includes a payment of Kshs.1,174,000 for security that was made to a security firm. This was as a result of a contract extension vide contract number - 001/GRD/CF/10/2021 dated 1 October, 2021 to provide security service of Kshs.40,000 plus VAT per guard per month. However, in the initial contract dated 1 January, 2017 reflected the charges for security services of Kshs.27,543.10 plus VAT per guard per month.

In the circumstances, It was not possible to confirm if value for money was realized for Kshs.1,174,000 expenditure on security services.

3. Board of Trustees Matters

The statement of financial performance reflects remuneration of trustees of Kshs.17,160,000 and as disclosed under Note 11 to the financial statements. However, the appointment letters for 2 (two) Board Members were not provided for audit review. It was observed that Commodities Fund vide a letter dated 16 December, 2019 wrote to the Principal Secretary, State Department for Crops Development and Agricultural Research requesting for the appointment letters but no evidence was provided to show that they were received.

In addition, the Fund does not have a substantive holder for the position of Corporate Secretary. It was observed that minutes of the board meetings were taken by the Legal Manager on behalf of the Managing Trustee but there was no justification for the delegation authority or appointment letter to that effect that was provided for audit.

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

4. Failure to Prepare Financial Statements for the Staff Car Loan and Mortgage Scheme

Note 23 to the financial statements reflects investment in staff mortgage loan and car loan of Kshs.115,011,000 and Kshs.11,326,000 respectively. However, the Fund did not prepare financial statements for the Schemes and submit them for audit as required by Circular No SRC/ADM/CIR/II/13/Vol.III (128) of 17th December, 2014 on Car Loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.

Further, the Board gave concurrence for the Fund to source for alternative Car Loan and Mortgage Scheme other than HFC. National Treasury through a Memo Ref:AG.3/88/1 Vol.59/(32) dated 20 June, 2022 gave authority to open and operate one Commodities Staff Mortgage Account. Commodities Fund opened an account with Cooperative Bank and deposited Kshs.30,000,000 to the account (A/c No. 01141030994600) without entering into a contract with Cooperative Bank on the management of the new scheme.

Report of the Auditor-General on the Commodities Fund for the year ended 30 June, 2022

In addition, the status report on the transition from the HFC Scheme to the Cooperative Scheme was not provided for audit review.

In the circumstances, the Management contravened the requirements of the Salary and Remuneration Commission circular on car loan and mortgage scheme.

5. Irregular Investment of Surplus Funds in Fixed Deposits at Commercial Banks

The reported cash and cash equivalents balance of Kshs.1,880,202,000 includes Kshs.1,794,659,000 being fixed deposits held in commercial banks, as disclosed under Note 17 (C) to the financial statements. This is contrary to The National Treasury Circular Ref:DMD 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. All funds previously held in fixed deposits in commercial banks / financial institutions were not to be rolled over but retired and invested in Treasury bills / bonds. Although the Management has provided authority from National Treasury Ref:CONF/MOF/63/01 'TY' date 13 November, 2017 in support of the fixed deposits the letter only authorizes the Fund to invest in on call deposits.

In the circumstances, the regularity of the investment of Kshs.1,794,659,000 in fixed deposits accounts could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Commodities Fund'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 Fund 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity 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 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 controls 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 Fund's 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 controls.
- 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 Fund'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 Fund to cease to continue 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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

08 March, 2023

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

	NOTES	2021/22	2020/21
		<u>Kshs '000'</u>	<u>Kshs '000'</u>
Revenue			
Revenue from exchange transactions			
GoK Grant	6	69,737	48,289
Finance income - External investments	7	328,317	445,141
Other income	8	<u>4,205</u>	<u>5,087</u>
Total revenue		<u>402,260</u>	<u>498,517</u>
Expenses			
User of Good & Service	9	100,402	98,805
Employee cost	10	115,697	111,010
Remuneration of Trustees	11	17,160	18,949
Depreciation and amortization expense	12	14,313	16,253
Repairs and maintenance	13	8,221	8,135
Contracted Services	14	2,803	2,000
Task force cost	15	<u>3,625</u>	<u>0</u>
Total Cost		<u>262,221</u>	<u>255,151</u>
Other Gains / (Losses)			
Loan Loss Provisions	16	81,779	(593,118)
Surplus/(Deficit) for the period		<u>58,260</u>	<u>836,483</u>

The notes set out on pages 7 to 34 form an integral part of these Financial Statements.


Managing Trustee
Ms. Nancy C. Cheruiyot

16/02/2023
Date.....


Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

16/02/2023
Date.....


Chair, Board of Trustees
Mr. Danson Ngaari

16/02/2023
Date.....

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022
STATEMENT OF FINANCIAL POSITION

	Notes	2021/2022 <u>Kshs '000'</u>	2020/2021 <u>Kshs '000'</u>
Assets			
Current assets			
Cash and cash equivalents	17	1,880,202	1,562,877
Receivables from exchange transactions-Interest Receivable on Investment	18(i)	17,221	12,936
Receivables from exchange transactions-Interest on Loans	18(ii)	141,583	110,380
Current portion of Long-term receivables from exchange transactions-Loans	18(iii)	461,670	616,638
Receivables from non-exchange transactions	19	45,253	46,410
Inventory- Consumables	20	<u>1,262</u>	<u>901</u>
Total Current Assets		<u>2,547,191</u>	<u>2,350,142</u>
Non-current assets			
Property, plant and equipment	21	17,364	24,836
Intangible Assets- Software	22	25,172	28,249
Investments	23	126,337	131,365
Loan Term Receivables from Exchange Transaction -Loans	18(iv)	<u>657,067</u>	<u>754,905</u>
Total non-current assets		<u>825,939</u>	<u>939,355</u>
Total assets		<u>3,373,130</u>	<u>3,289,947</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions (Creditors and accruals)	24	56,251	63,825
Total liabilities		<u>56,251</u>	<u>63,825</u>
Net assets		<u>3,316,879</u>	<u>3,225,672</u>
Reserves	25	15,298,805	15,264,852
Accumulated Deficit	26	(11,981,926)	(12,039,180)
Total net assets and liabilities		<u>3,316,879</u>	<u>3,225,672</u>

The Financial statement set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Managing Trustee
Ms. Nancy C. Cheruiyot

16/02/2023
 Date.....



Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

16/02/2023
 Date.....



Chair, Board of Trustees
Mr. Danson Ngaari

16/02/2023
 Date.....

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

15. STATEMENT OF CHANGES IN NET ASSETS

Notes	Revolving fund Sugar Kshs '000'	Revolving Fund Coffee Kshs '000'	Coconut Fund Kshs '000'	Revaluation Reserve Kshs '000'	Revenue Reserve Kshs '000'	Total Kshs '000'
Balance as at 30th July 2020	13,554,514	1,675,206	-	3,421	(12,950,602)	2,282,538
Coconut Grant			31,711	-	74,939	31,711
Prior Year Adjustments					836,483	74,939
Surplus for the period						836,483
Balance as at 30th June 2021	13,554,514	1,675,206	31,711	3,421	(12,039,180)	3,225,671
Opening 1st July 2021	13,554,514	1,675,206	31,711	3,421	(12,039,180)	3,225,671
Coconut Grant			33,953		(1,006)	33,953
Prior Year Adjustment					58,260	(1,006)
Surplus for the year						58,260
Balance as at 30th June 2022	13,554,514	1,675,206	65,664	3,421	(11,981,926)	3,316,879



Managing Trustee
Ms. Nancy C. Cheruiyot

16/02/2023

Date.....



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Mr. Danson Ngaari

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Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

16. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2022

Cash generated from operations	Notes	2021/2022 <u>Kshs '000'</u>	2020/2021 <u>Kshs '000'</u>
Surplus/(Deficit) for the year before tax		58,260	836,483
Adjusted for:		-	
Depreciation	12	14,313	16,253
Non-cash adjustment to equity	18	81,779	(593,118)
Adjustment for interest on loans		(1,006)	74,939
Contributed assets		-	
Impairment		-	
Gains and losses on disposal of assets		-	0
Contribution to provisions	18	(81,779)	593,118
Contribution to impairment allowance		-	
Finance income-External investment- Non-Exchange Transactions	7	(113,287)	(89,871)
Finance cost		-	
Working capital adjustments:		-	
Increase in current & non-current receivables from exchange transaction - loans and Advances	17	252,807	(441,901)
Decrease in current receivable from exchange and non - exchange transaction.	18 & 19	(34,331)	(95,477)
Decrease in deferred income		-	
Decrease in trade and other payables from exchange transactions (Creditors & Accruals)	24	(7,574)	(39,434)
Increase in inventory- Consumables	20	(361)	(107)
Net cash flows from operating activities		<u>168,821</u>	<u>339,753</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	21	(3,764)	(13,516)
Proceeds from disposal of Assets	21	-	0
Increase in Investment	23	5,028	(10,750)
Finance Income -External Investment -non-Exchange Transactions	7	113,287	89,871
Net cash flows used in investing activities		<u>114,551</u>	<u>65,606</u>
Cash flows from financing activities			
Proceeds from borrowings			
Repayment of borrowings			
Capital grants from government	25	33,953	31,711
Net cash flows used in financing activities		<u>33,953</u>	<u>31,711</u>
Net increase in cash and cash equivalents		<u>317,325</u>	<u>437,070</u>
Cash and cash equivalents as at 1 July 2021		<u>1,562,877</u>	<u>1,125,807</u>
Cash and cash equivalents at 30 June 2022	17	<u>1,880,202</u>	<u>1,562,877</u>



Managing Trustee
Ms. Nancy C. Cheruiyot

Date.....

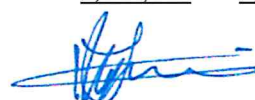
16/02/2023



Finance Manager
Mr. Silas N. Njagi
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Date.....

16/02/2023



Chair, Board of Trustees
Mr. Danson Ngaari

Date.....

16/02/2023

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Variance	% Variance
ITEM DESCRIPTION	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	
INCOME						
Rendering of Services	425,208		425,208	219,236	(205,972)	(48)
Government Grants- Recurrent	66,046	3,691	69,737	69,737		-
Finance Income	78,370		78,370	113,287	34,917	45
Total Revenue	569,624	3,691	573,315	402,260	(171,055)	(30)
Expenses						
Use of Goods and Services	114,327		114,327	122,737	(8094)	-7
Employees Costs	107,912		107,912	101,102	6,810	6
Remuneration to Trustees	18,516		18,516	17,160	1356	7
Depreciation and Amortization Expenses	15,696		15,696	14,313	1,285	8
Repairs and Maintenance Costs	4,450		4,450	4,106	344	8
Contracted Services	5,200		5,200	2,803	2,397	46
Total Expenditures	266,101		266,101	262,221	4,098	2
Other Gains/(Losses)						
Gain on Disposal of Asset						
Loan Provisions	75,933		75,933	81,779	(5,846)	(8)
Surplus/(Deficit) For the Period	227,590		231,281	58,260	(169,307)	(73)



Managing Trustee
Ms. Nancy C. Cheruiyot

16/02/2023
Date.....



Finance Manager
Mr. Silas N. Njagi
ICPAK No.5078

16/02/2023
Date.....



Chair Board of Trustees
Mr. Danson Ngaari

16/02/2023
Date.....

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES EXPLAINING THE VARIANCES BETWEEN THE BUDGET AND THE ACTUAL AMOUNTS ROUNDED IN THOUSANDS

Figure are rounded in Thousands ('000')

1.0 Interest Income

The Fund's mandate is to provide sustainable and affordable credit and advances to farmers. To achieve the said Mandate, credit facilities must be advanced at the right time and within the crop season to guard against misapplication of funds.

The Fund had budgeted to generate income amounting to Kshs. 492,658 from lending and investment of surplus funds. The actual final result was Kshs. 328,282 resulting to variance of Kshs.164,376 (33%). The deficit is largely attributed to missed loan disbursement target of Kshs.728,000 with the Fund managing to disburse Kshs. 258,634 resulting to deficit of Kshs.469,366. The missed loan target is attributed to the Parent Ministry directive of 5th May, 2020 that requires the Fund to seek explicit concurrence from the office of the Cabinet Secretary on loan approvals and/or disbursements.

The directive has greatly affected the operations of the Fund as it has increased the loan turnaround time and affected uptake of loans by potential borrowers. This has in turn resulted in reduction in interest income and processing fees the Fund would have received from lending. Loans that were awaiting concurrence as at 30th June, 2022 amounted to Kshs. 455,492 with the oldest loan having been forwarded to the ministry on 31st January, 2021.

2.0 Loan Processing Fee.

The Fund budgeted to disburse loans amounting to Kshs. 728,000 that would have brought interest amounting to Kshs. 10,920. However, the actual disbursement was Kshs. 258,634 which generated Kshs. 3,900 resulting to negative variance of Kshs.7,020 (64%). This is attributed to the problem of concurrence the Fund has with the Ministry.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Commodities Fund is established by and derives its authority and accountability from Crops Act 2013 Section 9 (Amended in May 2016). Commodities Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund’s principal activity is to provide sustainable, affordable and accessible credit and advances to farmers.

2. Statement of Compliance and Basis of Preparation

The Fund’s financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, Plant and Equipment, Marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements is in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Commodities Fund accounting policies.

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

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

The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

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

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: 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>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

Standard	Effective date and impact:
	<p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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>Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p>

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

Standard	Effective date and impact:
	<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>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <p><i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></p> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <p><i>IPSAS 39: Employee Benefits</i></p> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>IPSAS 29: Financial instruments: Recognition and Measurement</p> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
<p>IPSAS 43</p>	<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>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022
NOTES TO THE FINANCIAL STATEMENTS (Continued)

Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2021/2022

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and Commission Income

Fees and commission income is generally recognized on an accrual basis.

ii) Revenue from exchange transactions

Interest income

Interest income is recognized on an accruals basis in the Statement of Comprehensive Income using the effective yield on the loan. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount.

Interest Income and Expense

Interest income and expenses are recognized in the Statement of Comprehensive Income for all interest-bearing Instrument on an accrual basis taking into account the effective yield on the assets.

➤ **Interest Computation**

ComFund loans are on lent to coffee, sugar and Coconut subsectors at a rate of between 4 and 10 % per annum depending on loan type.

b) Budget information

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

c) Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the ComFund operates and generates taxable income or consumes taxable goods and services.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Current tax obligation is amount recovered in process of payment for goods and services attracting taxes which the ComFund is required to recover and submit to tax authority.

d) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis so as to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

Motor Vehicles	- 25%
Equipment	- 20%
ICT Equipment	- 33 ¹ / ₃ %
Furniture and Fittings	- 12.5%
Plant- Generator	- 10%
Intangibles	- 8%

Assets are depreciated from the day they are inspected and accepted till the day they are either disposed or fully depreciated whichever comes earlier. Property and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

e) Leases

The Commodities Fund assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

f) Financial Instruments

Financial Assets

Initial Recognition

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

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.

Impairment of financial Asset

Originating loans and provision for loans impairment

Loans are originated by the ComFund by providing money to the coffee farmers and sugar companies/sugarcane out growers' institutions and are categorized as loans originated by the ComFund.

Specific provision is made against loans and advances at different rates applicable to each of the five loan categories. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows discounted at the effective interest rate of loans.

The provisioning rates adopted from 2018/19 are as follows:

Performing	(No instalment in arrears)	- 1%
Watch	(1-3 instalment in arrears)	- 3%
Substandard	(Above 3-6 Instalments in arrears)	- 20%
Doubtful	(Above 6-12 Instalment in arrears)	- 100%
Loss	(Above 12 Instalments in arrears)	- 100%

Where a loan or an advance in loss category is declared irrecoverable, authority is sought from the National Treasury to write off the debts against the related provision for impairments.

Subsequent recoveries of amount previously written off are credited to the Statement of Financial Performance in the year of recovery. Loans and advances are stated net of provisions in the statement of financial position.

Financial Liabilities-Payables

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 ComFund determines the classification of its financial liabilities at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

g) Inventories

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

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

For the period ended 30th June 2019 ComFund did not have any present obligation to warrant provision.

i) Nature and purpose of reserves

The ComFund has created and maintained reserves in terms of specific requirements. For this purpose, the ComFund maintains capital reserves where all capital grants meant for loans disbursement are accumulated. In addition the ComFund maintains revaluation reserves where appreciation in value of assets is credited. An accumulated surplus reserve is also maintained where the surpluses/deficits resulting from the performance are accumulated.

j) Changes in accounting policies and estimates

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

k) Employee Benefits Obligations

Retirement benefit plans

The Fund sponsors a defined contribution pension scheme for its employees funded partly by the Employer 20% and staff 10% and administered by Jubilee Fund Managers. The Fund's obligation towards the scheme is limited to its 20% contribution which if not wholly remitted the unremitted portion is accrued in the financial statements at the year end.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Fund also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF) a national retirement benefit scheme. This is a defined contribution scheme registered under the National Social Security Act.

The Fund's obligation under the scheme is limited to the specific contributions legislated by government from time to time and is currently at Kshs.200 per employee per month. Fund's contribution towards the two schemes is charged in the financial statements during the year.

l) Related Parties

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or vice versa. Within the Fund, Trustees and members of key management are viewed as related parties while outside the Fund, Agriculture and Food Authority (AFA) was taken as related party.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

n) Comparative figures

Comparative figures represent figures for the (12) months period ended 30th June, 2021 and were necessary restated to conform to the requirement of IPSAS.

o) Subsequent Events

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

5.0 Significant Judgements and Sources of Estimation Uncertainty

Estimates and Assumptions

In the process of applying Fund's accounting policies, management makes certain judgments, estimates and assumptions that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Management best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions 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 in these notes to the Financial Statements.

a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

b) Equipment

Critical estimates are made by the Management in determining depreciation rates of equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Impairment

At each statement of financial position date, the management reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash generating unit to which the asset belongs.

d) Provisions and contingent liabilities

Management reviews Fund's obligations at each balance sheet date to determine whether provisions need to be made. Where it is determined provisions are required, estimation is based on existing internal policy of the Fund. The expense relating to any provision is charged in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is ascertained in line with IPSAS19.

Contingent assets

The ComFund does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the ComFund in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs in line with requirement of IPSAS 19.

6.0 Transfers from Other Government Entities

Description	2021-2022	2020-2021
	Kshs`000`	Kshs `000`
Unconditional grants		
Operational grant	50,000	30,000
Other grants-AFA	3,691	-
Total Unconditional Grants	53,691	30,000
Conditional grants		
Coconut revitalization project grant	50,000	50,000
Total government grants and subsidies	103,691	80,000

Coconut revitalization project grant is the second batch of the Kenya shillings one billion requested by the commodities fund from Government to form a revolving fund from where the coconut subsector can borrow loans at affordable rates to develop the sector.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs`000`	Amount deferred under deferred income KShs`000`	Amount recognised in capital fund.	Total transfers 2021/2022	Prior year 2021/2020
			KShs`000`	KShs`000`	KShs`000`
Ministry of Agriculture, Livestock, Fisheries and Cooperatives	66,047	-	33,953	100,000	80,000
Agriculture and Food Authority	3,691	-	-	3,691	
Total	69,737	-	33,954	103,691	80,000

The details of the reconciliation have been included under appendix 111.

7 Finance Income, External Investments	2021/2022 Kshs '000'	2020/2021 Kshs '000'
Interest income from Treasury Bonds	1,720	4,338
Cash Investment and Fixed Deposits-Received Income	110,667	85,458
Interest Income Loans Debtors- Coffee Portfolio	37,764	51,632
-Sugar Portfolio	176,447	303,638
- Coconut	820	0
Interest Earned Staff Mortgage Scheme	409	0
Interest Earned on Car Loan Scheme	<u>491</u>	<u>75</u>
Total Finance Income-External Investments	<u>328,318</u>	<u>445,141</u>

ComFund invests its surplus liquid cash in short term deposits with the approved financial institutions to generate income pending disbursement of loans. Further, the Fund held 12 Year GOK Infrastructure Bond of Kshs.35,955,000 which matured in November 2021. Interest to Coffee and Sugar Sector is charged between 4 and 10% p.a depending on loan type.

8. Other income

	2021/2022 Kshs '000	2020/2021 Kshs '000
Loan Processing Fee	3,900	4,827
ICPP Income	252	260
Miscellaneous Income	54	0
Other Income Total	<u>4,205</u>	<u>5,087</u>

Loan processing fee of 1.5% of the approved loan amount is charged on all loans issued by the ComFund.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. User of Good & Service	2021/2022	2020/2021
	Kshs '000	Kshs '000
Electricity & Water	873	740
Security	1,174	1,130
Professional Services	870	3,302
Subscriptions	70	553
Printing and Stationery	2,917	3,440
Communication Telephone and Postage	1,155	2,199
Vehicle Running Expenses	7,033	7,207
Insurance Expenses	2,311	2,001
Stakeholder Forum Expenses	4,167	6,054
International Travel	80	0
Rent and Rates	13,890	12,744
Cleaning, Garbage & Sanitary	239	163
Newspapers, Periodicals, Journals and Subscriptions	21	29
Advertising and Publicity	2,459	1,122
Bank Charges	693	827
Staff Welfare	2,414	2,308
Trainings, Seminar, Retreats and Workshops	4,948	6,655
Shows, Exhibitions & Trade Fairs	1,026	1,079
Corporate Social Responsibility	350	1,399
Travel, Accommodation, Subsistence and Other Allowances	31,719	20,531
ICPP Project expenditure	1,561	3,342
Coconut Revitalization Project recurrent cost	16,047	18,289
Corporate Planning & Strategic Plan	0	382
Other Office General Expenses	<u>4,385</u>	<u>3,309</u>
Total Use of Goods	<u>100,402</u>	<u>98,805</u>
10 Employee Costs	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
Salaries & Wages	62,825	61,172
Employee Related Cost-Pensions Contributions & medical Aids	26,344	23,901
Housing benefits and Allowances	<u>26,528</u>	<u>25,937</u>
Total Employee Costs	<u>115,697</u>	<u>111,010</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
11 Remunerations of Trustees		
Chairman's Honorarium	434	960
Sitting Allowances	7,240	7,860
Trustees Accommodation & Subsistence Allowances	5,797	5,326
Others) Trainings, Medical, Travel etc)	<u>3,689</u>	<u>4,803</u>
Total Remunerations of Trustees	<u>17,160</u>	<u>18,949</u>
12 Depreciation and Amortization Expense		
Property, Plant and Equipment	11,138	13,279
Intangible Assets	<u>3,175</u>	<u>2,974</u>
Total Depreciation and Amortization	<u>14,313</u>	<u>16,253</u>
13 Repairs and Maintenance		
Buildings	246	475
Automobiles	2,991	2,249
Computer and Electronic Equipment	3,061	2,538
Annual Software Licenses	1,856	2,781
Furniture and Fittings	<u>67</u>	<u>92</u>
Total Repairs and Maintenance	<u>8,221</u>	<u>8,135</u>
14 Contracted Services		
Contracted services	<u>2,803</u>	<u>2,000</u>
Total contracted services	<u>2,803</u>	<u>2,000</u>
15 Taskforce Expenses		
Taskforce Expenses	<u>3,625</u>	<u>0</u>
Total Taskforce Expenses	<u>3,625</u>	<u>0</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LOAN PROVISION
SUMMARY OF LOANS AND INTEREST PROVISIONS AS AT 30TH JUNE 2022

CATEGORY	OUTSTANDING LOAN AND INTEREST	PROVISION RATE	PROVISION JUNE 2022	PROVISION JUNE 2021	INCREASE IN PROVISION
NORMAL (GRADE 1) - 1%	388,968,664	1%	3,889,687	6,700,879	(2,811,192)
WATCH (GRADE 2) - 3%	55,221,113	3%	1,656,633	2,350,415	(693,781)
SUB-STANDARD (GRADE 3) - 20%	6,255,677	20%	1,251,135	100,518,662	(99,267,527)
DOUBTFUL (GRADE 4) - 100%	57,880,630	100%	57,880,630	16,501,075	41,379,555
LOSS (GRADE 5) - 100%	20,233,437,817	100%	20,233,437,817	19,614,061,566	619,376,251
TOTAL	20,741,763,900		20,298,115,902	19,740,132,596	557,983,306
Securities	-		816,675,072	340,470,621	476,204,451
Net Provisions	20,741,763,900		19,481,440,830	19,399,661,975	81,778,855

SUMMARY OF LOANS AND INTEREST PROVISIONS AS AT 30TH JUNE 2021

CATEGORY	OUTSTANDING LOAN AND INTEREST	PROVIS ION RATE	PROVISION JUNE 2021	PROVISION JUNE 2020	INCREASE IN PROVISION
NORMAL (GRADE 1) - 1%	670,087,812	1%	6,700,878	9,289,634	(2,588,756)
WATCH (GRADE 2) - 3%	78,347,154	3%	2,350,415	629,417	1,720,998
SUB-STANDARD (GRADE 3) - 20%	502,593,313	20%	100,518,663	1,264,633	99,254,029
DOUBTFUL (GRADE 4) - 100%	16,501,075	100%	16,501,075	51,861,706	(35,360,631)
LOSS (GRADE 5) - 100%	19,614,061,565	100%	19,614,061,565	19,929,734,369	(315,672,804)
TOTAL	20,881,590,920		19,740,132,596	19,992,779,760	(252,647,164)
Less Loan Securities			(340,470,621)		(340,470,621)
Net Provisions			19,399,661,975		(593,117,785)

17 Cash and Cash Equivalents	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
a) Bank		
Cash Accounts	0	0
Current Accounts	26,783	15,541
On Call Deposits	48,000	0
Fixed Deposits	1,794,659	1,532,883
Others	10,760	14,453
Total Cash and Cash Equivalents	<u>1,880,202</u>	<u>1,562,877</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17(i)	Detailed Analysis Cash and Cash Equivalents	Account Number	2021/2022 Kshs '000'	2020/2021 Kshs '000'
	a) Current Accounts			
	Co-operative Bank (a)	01136030994600	24,034	(607)
	Co-operative Bank (b)	01136030994601	352	8,577
	Cooperative Bank (c)	01136035349800	1,538	6,601
	National Bank	01345061389300	627	750
	Equity Bank	01330299214184	43	43
	Family Bank	014000033336	185	162
	Kenya Commercial Bank	01132784905	2	15
	Credit bank	0021007000774	2	0
	Sub Total		26,783	15,541
	(b) On Call Deposits Account			
	National Bank		48,000	-
	Sub-Total		48,000	-
	(C) Fixed Deposits Account			
	National Industrial Credit		159,890	297,196
	Cooperative Bank		496,314	252,334
	Family Bank		246,974	188,453
	Kenya Commercial Bank		494,713	295,011
	National Bank		200,494	198,081
	Equity Bank		115,731	260,204
	Credit Bank		80,543	41,604
	Sub-Total		1,794,659	1,532,883
	d) Others			
	Safaricom-Mkahawa	552601	2	3,429
	Safaricom-Paybill	552600	10,758	11,024
	<u>Sub Total</u>		<u>10,760</u>	<u>14,453</u>
	Grand Total		1,880,202	1,562,877
18	i) Current Receivables from Investments		2021/2022 Kshs '000'	2020/2021 Kshs '000'
	Interest Receivable from Investments		17,221	12,936

Commodities Fund

Annual Report and Financial Statements for the Year ended 30th June 2022

Total Current Receivables 17,221 12,936

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022			
ii) Interest on Loans	Sugar	Coffee	Coconut	Total Kshs
	Kshs '000'	Kshs '000'	Kshs '000'	
Gross Interest on Loans	4,527,306	408,112	820	4,936,238
Provisions				
Provisions B/F 1.7.21	(4,348,036)	(319,179)	-	(4,667,240)
Provision Charge for the year	(131,747)	4,332	-	(127,415)
Total Provisions as at 30.06.22	<u>(4,479,808)</u>	<u>(314,847)</u>	-	<u>(4,794,655)</u>
Net Interest on Loans as at 30.06.22	<u>47,499</u>	<u>93,264</u>	<u>820</u>	<u>141,583</u>

	2020/2021			
Interest on Loans and Advances	Sugar	Coffee	Coconut	Total Kshs
	Kshs '000'	Kshs '000'	Kshs '000'	'000'
Gross Interest on Loans & Advances	4,380,243	397,377		4,777,620
Provisions				
Provisions B/F 01.07.20	(4,094,024)	(324,751)		(4,418,775)
Provision Charge for the year	(254,036)	5,572		(248,464)
Total Provisions as at 30.06.21	<u>(4,348,060)</u>	<u>(319,179)</u>		<u>(4,667,239)</u>
Net Interest on Loan as at 30.06.21	<u>32,182</u>	<u>78,198</u>		<u>110,380</u>

	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
iii) Current Receivable Loans & Advances		
Loans and Advances from exchange transactions	170,015	39,308
- Coffee		
-Sugar	287,225	577,330
-Coconut	4,430	-
Total current receivables	<u>461,670</u>	<u>616,638</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO FINANCIAL STATEMENTS-Continued

iv) Long term receivable from exchange transactions

	2021/2022			
Gross Loans & Advances	Sugar Kshs '000'	Coffee Kshs '000'	Coconut Kshs '000'	Total Kshs '000'
Gross Loans & Advances	14,801,639	991,396	12,488	15,805,522
Provisions				
Provisions Bf 01.07.21	(14,126,115)	(606,308)	-	(14,732,422)
Charge for the year	2,553	43,084	-	45,636
Total Provisions as at 30.06.22	<u>(14,123,562)</u>	<u>(563,224)</u>	-	<u>(14,686,786)</u>
Net Loans and Advances as at 30.06.22	<u>678,077</u>	<u>428,172</u>	<u>12,488</u>	<u>1,118,737</u>
Current Portion transferred to current receivables	<u>287,225</u>	<u>170,015</u>	<u>4,430</u>	<u>461,670</u>
Total non-current receivables	<u>390,852</u>	<u>258,157</u>	<u>8,058</u>	<u>657,067</u>

	2020/2021			
Gross Loans & Advances	Sugar Kshs '000'	Coffee Kshs '000'	Coconut Kshs '000'	Total Kshs '000'
Gross Loans & Advances	15,233,773	870,193		16,103,966
Provisions				
Provisions Bf 01.07.20	(14,765,285)	(808,720)		(15,574,004)
Charge for the year	639,170	202,412		841,582
Total Provisions as at 30.06.21	<u>(14,126,115)</u>	<u>(606,308)</u>		<u>(14,732,422)</u>
Net Loans and Advances as at 30.06.21	<u>1,107,658</u>	<u>263,885</u>		<u>1,371,543</u>
Current Portion transferred to current receivables	<u>577,331</u>	<u>39,308</u>		<u>616,638</u>
Total non-current receivables	<u>530,328</u>	<u>224,578</u>		<u>754,905</u>

19 Receivables from Non-Exchange Contracts	2021/2022 Kshs '000'	2020/2021 Kshs '000'
Prepayments	5,243	5,820
Staff Debtors	0	40
Other Debtors-Ministry	40,000	40,000
Trade Receivables	<u>10</u>	<u>550</u>
Total Current Receivables	<u>45,253</u>	<u>46,410</u>

20 Inventories	2021/2022 Kshs '000'	2020/2021 Kshs '000'
Consumables Stores	1,262	901
Total Inventories at lower of cost and net realizable Value	1,262	901

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 Property, plant and equipment as at 30th June 2022

	Motor Vehicles and Cycles KSHS'000'	Computer and Electronic Equipment KSHS'000'	Generator, Office and Communication Equipment KSHS'000'	Furniture and Fittings KSHS'000'	TOTAL KSHS'000'
Cost					
At 1 July 2020	56,067	61,990	6,597	29,838	154,491
Additions	9,015	2,805	10	86	11,916
Transfers/adjustments	-	-	-	-	-
At 1 July 2021	65,082	64,795	6,607	29,924	166,407
Additions	126	3,085	18	536	3,765
Transfer/adjustments	-	-	-	-	-
At 30th June 2022	65,208	67,880	6,625	30,460	170,172
Depreciation and impairment					
As At 1st July 2020	(46,227)	(55,996)	(4,072)	(21,997)	(128,292)
Depreciation	(5,281)	(4,032)	(578)	(3,387)	(13,278)
Transfer/adjustments	-	266	-	(266)	-
At 30 June 2021	(51,508)	(59,763)	(4,650)	(25,650)	(141,572)
Depreciation	(5,108)	(3,161)	(484)	(2,482)	(11,236)
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2022	(56,616)	(62,924)	(5,135)	(28,132)	(152,808)
Net book values					
At 30th June 2022	8,592	4,956	1,490	2,329	17,364
At 30th June 2021	13,574	5,032	1,955	4,274	24,836

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Fully depreciated assets included in the above historical costs are as follows:

6.1	Motor vehicles	Kshs. 52,107,364
6.2	Office Equipment	Kshs. 3,335,133
6.3	ICT Equipment	Kshs. 59,829,906
6.4	Furniture and Fittings	Kshs. 24,855,845

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Intangible Assets –Software	2021/2022	2020/2021
Cost	Kshs '000	Kshs '000
At the beginning of the Year	41,174	39,574
Additions	0	1,600
At end of year	41,174	41,174
Transfer/ Adjustments	=	-
At end of the year	41,174	41,174
Amortization and Impairment		
At the beginning of the Year	(12,925)	(9,951)
Adjustment of Overstated Amortization Expense in FY2017.18	-	-
Amortization for the year	(3,077)	(2,974)
At end of the year	(16,002)	(12,925)
Impairment Loss	-	-
Transfer/ Adjustments	-	-
At end of the year	(16,002)	(12,925)
NBV	<u>25,172</u>	<u>28,249</u>

Assets amounting to Kshs. 578,333 included in the historical costs of intangibles are fully depreciated.

23 Investments	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
a) Investment in Treasury bills & Bonds Financial Institution		
CBK-12 Year GOK Infrastructure bond	-	35,955
b) Investment in Staff Mortgage Scheme		
Staff Mortgage Scheme	115,011	84,603
		-
c) Investments in Staff Car loan Scheme		
Family Bank-Staff Car Loan Scheme	<u>11,326</u>	<u>10,807</u>
Grand Total	<u>126,337</u>	<u>131,365</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 Trade and Other Payables from Exchange Transactions	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
Trade Payables	4,710	9,608
Payment Received in Advance	45,870	44,852
Payroll Liabilities	76	63
Third Party Payable	4,355	8,061
Loan Security Deposit	<u>1,240</u>	<u>1,240</u>
Total Trade and Other Payables	<u>56,251</u>	<u>63,825</u>

25. Capital Reserves	Notes	Revolving fund Sugar	Revolving Fund Coffee	Coconut Fund	Revalu ation Reserve	Total
		Kshs	Kshs	Kshs	Kshs	Kshs
Balance As At 30 June 2021		13,554,512	1,675,206	31,711	3,421	15,264,852
Coconut Grant	-			33,953		33,953
Balance As At 30 JUNE 2022		13,554,512	1,675,206	65,664	3,421	15,298,805
Opening 1st July 2021		<u>13,554,512</u>	<u>1,675,206</u>	<u>31,711</u>	<u>3,421</u>	<u>15,264,852</u>

26. Revenue Reserve	Revenue Reserve Kshs '000'
Balance as at 1 July 2020	(12,950,602)
Prior year adjustment	74,939
Surplus for the period	836,483
Balance as at 30 June 2021	(12,039,180)
Opening 1st July 2021	(12,039,180)
Prior Year Adjustment	(1,006)
Surplus for the year	58,260
	-
Balance as at 30th June 2022	<u>(11,981,926)</u>

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. Cash generated from operations

Item	Balance C/Down Kshs.'000'	Balance B/F Kshs.'000'	2022 Kshs.'000'	2021 Kshs.'000'
Surplus reported in the year			58,260	836,483
Depreciation for the year			14,313	16,253
Non Cash Adjustments to equity	19,399,662	19,481,441	81,779	(593,118)
Gain on Disposal of Asset				
Contributions to provisions			(81,779)	593,118
Adjustment for Loans Interest	1,006	-	(1,006)	74,939
Finance Income -External Investment-Non Exchange Transactions			(113,287)	(89,871)
Increase in Loans and Advances (Net Loans)	1,118,737	1,371,543	252,807	(441,901)
Increase in Receivables (Investment Income)	17,220	12,936	(4,285)	(183)
increase in other Receivables (Net Loan Interest)	141,583	110,380	(31,203)	(94,939)
Increase in other receivables	45,253	46,410	1,157	(355)
Decrease in Investments				
Sub Total	169,726	74,249	176,756	(95,477)
Increase in Payables	56,251	63,825	(7,574)	39,434
Change in Inventory	1,262	901	<u>(361)</u>	<u>107</u>
Net Cash generated from operating activities			<u>168,821</u>	<u>339,753</u>

28. Financial Risk Management

The Fund's activities expose it to a variety of financial risks. Risk management is carried out by the finance function under policies approved by the Board of Trustees. The Finance function identifies, evaluates and hedges against the financial risk.

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit Risk

Credit risk is the risk that a borrower will default on any type of debt by failing to make required payments. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances. The Fund has no significant concentrations on credit risk. The Fund has policies in place to ensure loans are given to farmers with an appropriate credit history. The credit department assesses the credit quality of each farmer, taking into account their financial position, past credit experience and other factors.

The carrying amount of loans recorded in the financial statements that represents the Fund's maximum exposure to credit risk is as follows:

	Total Amount Kshs 000	Fully Performing Kshs 000	Past Due Kshs 000	Impaired Kshs 000
As at 30.06. 2022				
Receivables from exchange transactions	20,741,764	388,969	119,357	20,233,438
Receivables from non-exchange transactions	62,251	22,251	40,000	-
Bank balance	1,880,202	1,880,202	-	-
Total	22,684,217	2,291,422	159,357	20,233,438
As at 30.06. 2021				
Receivables from exchange transactions	20,879,039	669,821	584,752	19,624,466
Receivables from non-exchange transactions	61,820	21,820	40,000	-
Bank balance	1,562,607	1,562,607	-	-
Total	22,503,466	2,254,248	624,752	19,624,466

(ii) Liquidity Risk Management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities

is fundamental to the Fund's management. It is unusual for a lending institution's maturities and interest rates of assets and liabilities to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Ability to replace, at an acceptable cost, interest-bearing liabilities, as they mature are important factors in assessing the liquidity of the Fund and its exposure to interest rates. The Fund does not maintain cash resources to meet all liabilities as they fall due as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

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

	Less than 1 month Kshs 000	Between 1-3 months Kshs 000	Over 5 month Kshs 000	Total Kshs 000
As At 30.06.2022				
Trade Payables & Other Payables	380		55,776	56,156
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligations	-	-	-	-
Total	380		55,776	56,156
As At 30.06.2021				
Trade Payables & Other Payables	63		63,757	63,820
Current portion of borrowings				
Provisions				
Deferred income				
Employee benefit obligations				
Total	63		63,757	63,820

(iii) Market risk

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

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

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

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

a) Interest rate risk

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from changes in market interest rates which affect the projected interest income from investment. This exposes the Fund to cash flow risk.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to invest with institutions that offer favorable interest rates and invest on fixed deposits whose rates are ascertained in advance.

Capital Risk Management

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

	2021-2022		2020-2021
	Kshs 000		Kshs 000
Revaluation reserve	3,421		3,421
Revenue Reserve	(11,981,926)		(12,039,180)
Capital reserve	15,295,384		15,264,852
Total funds	3,316,879		3,225,672
Total borrowings	0		0
Less: Cash and bank balances	(1,880,202)		(1,562,877)
Net debt/(excess cash and cash equivalents)	1,880,202		1,562,877
Gearing	100%		100%

29. Related Party Balances

(a) Nature of related party relationship

The Management regards a related party as a person or an authority with the ability to exert control individually, jointly or to exercise significant influence over the Management, or Vice Versa. Within the ComFund, Directors and members of key management are viewed as related parties while outside the ComFund, Ministry of Agriculture, Livestock, Fisheries and Co-operatives and Agriculture and Food Authority (AFA) were regarded as related parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022	2020/2021
	Kshs 000	Kshs 000
Transactions with related Parties		
a) Sales to related Parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-

b) Grants from the Government		
Grants from the National Govt.	100,000	80,000
Grants from County Government	-	-
Donations in kind	-	-
Total	100,000	80,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for AFA employees	0	0
Payments for goods and Services	-	-
Total	0	0
d) Key Management Compensation		
Directors' emoluments	17,160	18,949
Compensation to the CEO	3,807	6,577
Compensation to Key Management	21,785	31,248
Total	42,752	52,027

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Key management remuneration

Transactions with related parties are summarised as follows:

The aggregate remuneration to directors and key management including allowances, salaries and benefits were as follows:

	2021/2022	2020/2021
	<u>Kshs 000</u>	<u>Kshs 000</u>
Trustees Emolument	17,160	18,949
Compensation to Managing Trustee	3,807	6,577
Key Management compensation	<u>21,785</u>	<u>31,248</u>
	<u>42,752</u>	<u>56,774</u>

The sugar loan portfolio managed by ComFund was inherited from AFA-Sugar Directorate and the hand over process is not fully concluded.

c) Due from related parties

	2021/2022	2020/2021
	<u>Kshs 000</u>	<u>Kshs 000</u>
Due from Ministry of Agriculture, Livestock, Fisheries & Co-operatives	<u>40,000</u>	<u>40,000</u>
	<u>40,000</u>	<u>40,000</u>

The Ministry of Agriculture, Livestock, Fisheries and Co-operatives requested to be advanced a total of Kshs. 40 million in 2017 that was to be reimbursed immediately when the ministry received its funds from the National Treasury but is yet to be reimbursed.

30 Contingent Liabilities

	2021/2022	2020/2021
	<u>Kshs 000</u>	<u>Kshs 000</u>
One court case against the ComFund	<u>18,998</u>	<u>18,998</u>
Total	<u>18,998</u>	<u>18,998</u>

The ComFund has litigation against it which involves a spousal consent dispute on a property secured against a loan with the exposure estimated at around **Kenya shillings Eighteen Million Nine Hundred Ninety-Eight Thousand (Kshs 18,998,000)**. However, management is of opinion that the case will be judged in its favour hence no need for provision in the financial statements.

31. Operating Lease commitments

Rental expenses incurred during the year was Kshs.13,750 (2021– Kshs.12,744). At the reporting date, the Fund had contracted with landlords for the following minimum future lease payables:

	2021/ 2022	2020/2021
	Kshs'000	Kshs'000
The Fund as a lessee:		
Within one year	13,866	13,648
In the second to fifth year inclusive	<u>32,392</u>	<u>30,767</u>
	<u>46,258</u>	<u>44,415</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Operating leases relate to the office spaces that are negotiated for a maximum term of 5 years, with the rentals being reviewed every two years and hence classified as operating leases. The leases are cancellable with a penalty when the landlord is not given notice to vacate the premises in accordance with lease agreement. The Fund as a lessee does not have an option to purchase the property at the expiry of the lease period.

32. Prior Year Adjustment

During the year, the Fund carried out reconciliation on its loans and perfected configuration of the Credit Management System an exercise which resulted to adjustment of loans and interest. Overly, interest on loans were found to have been understated by Kshs. 1,006 that was corrected by charging the amount into the Revenue Reserves in the Statement of Changes in Net Assets.

Reconciliation of Sugar Portfolio		
	Sugar Principal Kshs '000'	Sugar Interest Kshs '000'
Balance as at 30.06.21	15,233,773	4,380,242
Reclassification from interest repayment to Principal repayment	(102)	102
Adjustments due to Recalculation	-	439
Interest Accrual in the Year/ Disbursements	3,010	179,877
Sugar Repayments in the year	(435,037)	(33,354)
Reported Balance as at 30.06.22	14,801,644	4,527,306

Reconciliation on Coffee Portfolio						
	Coffee Principal	Coffee Interest	Overpayment	Repayment under reconciliation	Farmers Payable	unidentified
Balance as at 30.06.21	870,193	397,377	27,601	15,312	4,355	1,596
Adjustments due to Reclassification	(252)	1,236	996			(12)
Adjustments to recalculation of interest		(1,445)				
Transferred overpayments to Principal and Interest repayments	(104)	(244)	(348)			
Disbursement/Interest Accrual /Additions	243,135	37,764	276			
Coffee Repayments in the year	(121,576)	(26,576)		23		141
Refunds			(53)			
Balance as at 30.06.22	991,396	408,112	28,472	15,335	4,355	1,725

Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of the Reconciliation	
	Interest on loans
Adjustments to recalculated coffee interest	(1,445)
Adjustments recalculated sugar interest	439
Total charged to Reserves	(1,006)

33. Coconut Revitalization Project

The ComFund received from GOK development grant amounting to **Kshs. 50,000** being the second disbursement of the **Kshs. 1,000,000** requested to operationalize a revolving fund amounting to **Kshs. 812,500** for the sector. The revolving fund was allocated **Kshs. 33,953** of the **Kshs. 50,000** received in the year while the recurrent costs associated with the project took **Kshs. 16,047**. The Coconut Credit Scheme is currently operational and the lending capital is expected to grow as the government releases more funds into the project in the next four years.

34. Material Uncertainty

The ComFund has cumulative deficit totalling to **Kshs. 11,981,708** occasioned by huge provisions for non-performing loans. Cumulative Provisions charged in the financial statements stood at **Kshs. 19,481,441**. Majority of the non-performing loans are held in sugar sector and more so by government owned sugar millers and out grower institutions. The sugar loan portfolio was grossly under provisioned when it was handed over to ComFund which necessitated enhancement of provisions to adequately cover the non-performing loans. The issue of non-performing debts will be addressed by privatization of government owned sugar millers a matter under government consideration.

35. Events after the reporting period

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

36. Ultimate and Holding Entity

Commodities Fund is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Irrigation. Its ultimate parent is the Government of Kenya.

37. Currency

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

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

19. APPENDIX

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR GENERAL'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time-frame: (Put a date when you expect the issue to be resolved)
Unsupported Prior Year Adjustment	The statement of changes in net assets reflects a Revenue Reserve net balance of Kshs.12,039,180,000 that includes prior year adjustments to the revenue reserves of Kshs.74,939,000 dating back to financial year 2016/2017 that could not be traced in the prior year operations. Although the management explained that the prior year adjustment arose after a reconciliation of the loans and perfection of the Credit Management System, the reconciliation figures were not supported by the loan statements. Consequently, the accuracy, completeness and presentation and disclosure of the revenue reserves balance of Kshs.15, 264,852,000 as at June, 2021 could not be confirmed.	It is true the statement of changes in net assets reflects a Revenue Reserve balance of Kshs.12,039,180,000 that includes prior year adjustments to the revenue reserves of Kshs.74,396,000 for prior years. Prior year adjustments arose after a reconciliation of the loans and perfection of the credit management system. Management provided all loans statements for all affected loans as (Annex 1.2) Soft copy.	Roseline Wambura Credit Manager	Resolved	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

<p>2. High Rate of Provisioning on Loans and Advances</p>	<p>As disclosed under Note 17(iv) to the financial statements, the gross loans and advances reflected in the financial statements amounted to Kshs.16,103,966,000 with a total provisioning of Kshs.14,732,422,000 which translate to 91% of the loans and advances to farmers. Management has not given the basis for the huge provision for the loans. Further, the Fund disbursed approximately Kshs.321,168,000 for sugar and coffee portfolios during the year under review, despite the high %age of the portfolio risk. Consequently, the validity, accuracy and full recoverability of the long-term receivables from exchange transactions- loans and advances totalling to Kshs754, 905,000 could not be confirmed.</p>	<p>Upon operationalization of Crops Act, 2013 on 1st August, 2014 all assets and liabilities of the defunct Coffee Development Fund were automatically taken over by the new Commodities Fund. On the other hand, assets and liabilities of the defunct Sugar Development Fund were shared between Commodities Fund and Agriculture and Food Authority (AFA) with Commodities Fund being allocated loan book held by borrowers. Kshs. 757,591,523.05 was inherited from Coffee Development Fund (CODF) and the Agriculture and Food Authority (AFA) handed over to Commodities Fund, the Sugar Development Fund (SDF) loan book which includes principal loan, accrued interest and book provisions for non-performing loans amounting to Kshs. 12,862,899,003, Kshs. 2,119,717,066 and Kshs. 4,172,474,525 respectively. AFA further handed over to Commodities Fund loans amounting to Kshs. 2,811,344,927.99 being disbursements made by the Authority to Sugar sector from August 2014 to July 2016.</p> <p>The Full Board at a meeting held on Thursday 15th April 2021, resolved to seek for debt write off for the uncollectable loans from the National Treasury through our Parent Ministry. The request for write off is in line with Section 69 of the Public Finance Management Act 2012 and section 145 of the regulations.</p> <p>The Board resolved that the Fund seeks write-off of non-performing loans as at 31st March 2021 (<i>Refer to Annex 3.1</i>) inherited from the previous Funds to the tune of</p>		
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

		<p>Kshs. 17,492,404,113.73 made up of intermediary coffee loans of Kshs. 632,406,486.89 and sugar loans to public millers, outgrower institutions, Government of Kenya (under the Nzoia Sugar Company Arkel project) and companies with part Government shareholding all to the tune of Kshs. 16,859,997,626.84 being the non performing inherited loan book of the two previous institutions since recoverability of the loans is doubtful. This is due to the fact that:</p> <p>The Sessional Paper No. 12 of 2012 (<i>Refer to Annex 3.2</i>) on Write-off of Excess Government of Kenya Debt owed by the Public Sector Owned Sugar Companies approved the restructuring of the Sugar Companies balance sheets. Whereas approval for write-off of loans was granted in the year 2012, it is yet to be implemented due to delay in the privatization of the mills;</p> <p>The sixth report dated October 2019 of the Special Fund's Committee recommends under Committee Recommendation 78(iii) (<i>Refer to Annex 3.3</i>) that the Board in consultation with the Parent Ministry and approval by the Cabinet Secretary National Treasury consider writing off loans to Public Mills and Outgrower Institutions that were inherited by Commodities Fund based on their low recoverability in accordance with section 69 (2) of the Public Finance Management Act 2012;</p> <p>The Report of the National Task Force on Coffee Sub-Sector Reforms dated May 2016 recommends that ComFund should cease to issue demand notices and</p>			
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>foreclosing, especially those loans issued through intermediaries;</p> <p>The Report of The National Sugar Task Force dated April 2019 recommends:</p> <p>Financial restructuring of public owned mills as approved by parliament in 2013;</p> <p>Debt write off of additional factories' debt from July 2009 to date;</p> <p>In a statement by Hon. Peter Munya, MCH, Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries and Co-operatives on 2nd July 2020 the Press were advised that the Ministry has embarked on extensive and intensive reform efforts to address challenges to create a high-value sugar sector. Among the measures the government has undertaken are the following:</p> <p>Implementation of the Sugar Task Force Report recommendations;</p> <p>Gazetting of the Sugar General Regulations</p> <p>Gazettement of the Import-Export Regulations that are currently with the Attorney General's office</p> <p>Writing off Debts of State-owned Mills and Outgrower Institutions</p> <p>Conversion from Weight to Quality cane payment system based on sucrose content</p> <p>Privatization of the State-owned Mills through a long-term lease Model</p>		
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

		<p>With respect to debt write-off to make factories attractive to leaseholders, the Cabinet has approved as follows:</p> <p>All debt owed to Government and the former Kenya Sugar Board/Commodities Fund as at 31st December 2019;</p> <p>All Growers' debts owed to the former Kenya Sugar Board/Commodities Fund as at 31st December 2019;</p> <p>All tax penalties and related interest accrued as at 30th June 2009, and any additional interest and penalties that have accrued since then.</p> <p>This initiative will result in excess of 65% of the Fund's debt portfolio being written off. The Fund wrote to the Parent Ministry seeking the necessary approvals from the National Treasury but feedback is yet to be received;</p> <p>With the introduction of IPSAS 41 (Financial Instruments) which require public sector institutions to apply single forward looking credit loss model applicable to all financial instruments subject to impairment testing forced the Fund to revise its provision policy. Although the standard is effective from January 2022, Comfund opted for early adoption after realizing majority of its loans were impaired as a result of inherited non-performing loans from the previous funds.</p>			
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>The high rate of provisioning arose as a result of change of the method of classification of loan account. This meant that as opposed to using the due date of the loan for purposes of classification, the installment arrears would be used instead. To reduce the high rate of provisioning the Fund is continuously entering into repayment arrangements with the clients who have defaulted on their loans (Annex 3.4 (a)) which has sample loan repayment agreements) as well as continuing with recovery efforts as if no provision is in place. For instance, between July 2017 and December 2021 the fund recovered Kshs. 29,972,789.31 from coffee intermediary loans which were issued between 2007 and 2013 (Annex 3.4 (b)). Loan recoveries are through issuance of demand letters and entering into repayment agreements.</p> <p>Notwithstanding the high %age of the portfolio at risk, the loan recoveries are improving as shown in the table below (Annex 3.4 (c)):</p> <table border="1" data-bbox="1077 660 1225 1303"> <thead> <tr> <th>PERIOD</th> <th>COFFEE REPAYMENTS</th> <th>SUGAR REPAYMENTS</th> </tr> </thead> <tbody> <tr> <td>2019/2020</td> <td>191,877,154.65</td> <td>286,902,397.60</td> </tr> <tr> <td>2020/2021</td> <td>392,294,835.22</td> <td>450,182,989.62</td> </tr> </tbody> </table> <p>The Fund is unable to crystallize securities since its legal status is still in limbo thereby affecting the transfer of</p>	PERIOD	COFFEE REPAYMENTS	SUGAR REPAYMENTS	2019/2020	191,877,154.65	286,902,397.60	2020/2021	392,294,835.22	450,182,989.62		
PERIOD	COFFEE REPAYMENTS	SUGAR REPAYMENTS										
2019/2020	191,877,154.65	286,902,397.60										
2020/2021	392,294,835.22	450,182,989.62										

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

		<p>assets, liabilities and securities from the previous institutions (CODF and SDF). This coupled with AFA's lack of a Board in order to pursue amendments and or improvement in law to address the anomaly has made it difficult for the Fund to even seek for orders from court. The Fund pursued a loan owed by Kibos Sugar & Allied Industries that was disbursed by the former Kenya Sugar Board and the loanee took the Fund to court and the court ruled that Kibos Sugar had a prima facie case on challenging the corporate status of the Fund and its ability to pursue loan collection for the facility advanced to it by the Kenya Sugar Board. As such the court stayed any attempt by the Fund to enforce any process to realize the monies/loan until the court determines the matter. It however granted AFA the powers to pursue the client and collect the money by Dint of the legislation as it stands.</p> <p>That said the Fund is aggressively through the ministry and the AG's office pursuing for amendments and development of a standalone Comfund legislation with the hope of ensuring the Fund has a sound legislative platform upon which it can enforce its contracts and or seek orders and directions from the judicial system.</p>			
<p>4.0 Unrecovered Fund Transferred to the Parent Ministry</p>	<p>The Statement of financial position reflects receivables from non-exchange transactions of Kshs.46, 410,000 and as disclosed in Note 18 to the financial statements. Included in the balance is an amount of Kshs.40, 000,000 advanced to the Parent Ministry to offer assistance to</p>	<p>It is true statement of financial position reflects receivables from non-exchange transactions of Kshs.46,410,000 and as disclosed in Note 18 to the financial statements. Included in the balance is an amount of Kshs.40,000,000 advanced to the parent ministry to offer financial assistance to Chemilil Sugar</p>	<p>Silas Nyaga Finance Manager</p>	<p>Not Resolved</p>	<p>Ongoing</p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>Chemilil Sugar Company to enhance its sugar production that has remained outstanding since 2017. The Ministry was to reimburse these funds once The National Treasury released its budgeted funds for the year. However, the Ministry failed to reimburse the funds to the Fund. It is not clear if the disbursement was approved by The National Treasury. Further, a scrutiny of the corresponding letter to the Managing Trustee revealed that the Principal Secretary did not sign the advance request. Consequently, the accuracy and validity of Kshs.40, 000,000 advanced to the Parent Ministry to offer financial assistance to Chemilil Sugar Company could not be confirmed.</p>	<p>Company to enhance its sugar production that has remained outstanding since 2017.</p> <p>The request from the ministry stated clearly the funds would be refunded when the Ministry gets its funds from the National Treasury. It is not clear to Commodities Fund if the Ministry received the funds from the National Treasury. The Fund has over the years requested the reimbursement of the amount but the ministry has remained non-committal as to when the amounts will be refunded.</p> <p>We further confirm the letters that requested the funds from the ministry were fully signed by the Principal Secretary contrary to your observation that the request letters were not signed. See the attached (Annex 5.)</p>								
<p>5.0 Unsupported Trade and Other Payables</p>	<p>As disclosed in Note 23 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions (creditors and accruals) of Kshs.63,825,000 which includes trade payables balance of Kshs.9,608,000. However, the trade payable includes unsupported balance amounting to Kshs.5,765,258. Further, the general ledger of trade and other payables include a journal voucher entry for Kshs.2,997,214 dated 1 July, 2020 which is not explained nor supported. Consequently, the accuracy, completeness, and validity of the trade and other payables from</p>	<p>It is true the statements of financial position reflects trade and other payables from exchange transactions of Kshs.63,825,000 and as disclosed in Note 23 to the financial statements which includes trade payables balance of Kshs.9,608,000. The trade payables included Kshs. 5,765,258 of which Kshs.4,113,360 was unpaid audit fee while the balance of Kshs.1,651,898 being outstanding balances for ongoing works. The amount are listed as shown and all supporting documents have been given to the auditors.</p> <table border="1" data-bbox="1209 667 1311 1303"> <thead> <tr> <th>Details</th> <th>Amount (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Auditor General</td> <td>4,113,360.00</td> </tr> <tr> <td>G4s Security Services Kenya Ltd.</td> <td>33,315.65</td> </tr> </tbody> </table>	Details	Amount (Kshs)	Auditor General	4,113,360.00	G4s Security Services Kenya Ltd.	33,315.65	<p>Silas Nyaga Finance Manager</p> <p>Resolved</p>	
Details	Amount (Kshs)									
Auditor General	4,113,360.00									
G4s Security Services Kenya Ltd.	33,315.65									

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	exchange transactions balance of Kshs.63, 825,000 could not be confirmed.	<table border="1"> <tr> <td>Zion Mall Limited</td> <td align="right">115,500.00</td> </tr> <tr> <td>National Cereals And Produce Board</td> <td align="right">16,600.00</td> </tr> <tr> <td>Dimension Data Solutions East Africa Limited</td> <td align="right">120,960.00</td> </tr> <tr> <td>Maier Consulting Limited</td> <td align="right">530,322.00</td> </tr> <tr> <td>Infimind Limited</td> <td align="right">835,200.00</td> </tr> <tr> <td>Richard Omelu</td> <td align="right">233.00</td> </tr> </table>	Zion Mall Limited	115,500.00	National Cereals And Produce Board	16,600.00	Dimension Data Solutions East Africa Limited	120,960.00	Maier Consulting Limited	530,322.00	Infimind Limited	835,200.00	Richard Omelu	233.00			
Zion Mall Limited	115,500.00																
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Infimind Limited	835,200.00																
Richard Omelu	233.00																
<p>6. Unconfirmed Expenditure on Remuneration of Trustees</p>	<p>As disclosed in Note 11 to the financial statements, the statement of financial performance reflects an expenditure on remuneration of trustees of Kshs. 18,949,000. The expenditure includes an amount of Kshs.9,756,563 that was paid to three (3) members of the Board of Trustees. However, their letters of appointment were not provided for audit review. Consequently, legality of the appointment of the three directors and the validity of the expenditure amounting to Kshs.9, 756,563 could not be confirmed.</p>	<p>Further, documents in support of journal voucher of Kshs.2,997,214 dated 1 July, 2020 Was provided to the auditor.</p> <p>Fund is alive for the need to have appointment letters as part of the board members appointment. However, we also recognize that this is an administrative process that is undertaken by the Ministry through the Cabinet secretary, we have done our bit on the follow up but legally are aware that gazette appointment supersedes directives in terms of administrative appointment. One cannot be a board members by virtue of an appointment letter in a government institution. However, one is legally and rightfully a board member by virtue of gazettement hence the enforcement of liability even in the absence of an appointment letter before court.</p> <p>ii. Secondly, it is our humble and considered opinion that the Ministry representatives as per law are the relevant PS. As such it is the position and not the person seconded to the board, this is because the people sitting at the Board are alternates and could be seconded</p>	<p align="center">Nesline Okiko Legal Manager</p>	<p align="center">Resolved</p>													

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

<p>Budgetary and Performance</p>	<p>OTHER MATTERS</p> <p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.815,370,000 and Kshs.498,517,000 respectively, resulting to an under-funding of Kshs.316,853,000 or 38% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.293, 892,000 and Kshs.255,152,000 respectively, resulting to an under expenditure of Kshs.38,740,000 or 13% of the budget.</p> <p>Further, the statement of financial performance reflects remuneration of trustees of Kshs.18, 949,000 and as disclosed in Note 11 to the financial statements which include sitting allowance totalling Kshs.7, 860,000. However, the approved budget for sitting allowance was Kshs.4,800,000 resulting in an overpayment of Kshs.3,060,000 or 63%.Although the Management explained that the board members were required to attend forums organized by the Ministry on all coffee growing regions to sensitize coffee stakeholders on Coffee Bill, 2020 leading to the more meetings than had been anticipated, there was no evidence to show that the expenditure was authorized.</p>	<p>or withdrawn by the PS hence gazettement not being a requisite.</p> <p>It is true the revenue budget was missed by Kshs. 316,853,000 mainly attributed to interest suspension on loans that reached the five years past due threshold. Secondly, the Fund had projected loan disbursement amounting to Kshs.700 million but managed Kshs.321 million due to delayed loan approvals by the ministry. Consequently, interest income projected from loans was lost. Additionally market interest rates on investments were lower than projected during budgeting leading to low income on investment. Similarly, expenditure were below the budget by Kshs.38,740,000 much of it being savings on staff salaries as resulting of employing 13 new staff in December 2020 instead of the budgeted July 2020. Further, it is acknowledged the sitting allowance sub-vote of the directors vote exceeded its allocation by Kshs. 3,060,000 that was drawn from directors accommodation sub-vote. Overall the directors vote was within the acceptable 10% level. Management has taken steps ensure any over expenditures within sub-votes is authorized in advance.</p>	<p>Silas Nyaga Finance Manager</p>	<p>Resolved</p>	<p align="center">∞</p>
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**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>Based on the approved estimates, under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public while the validity of the expenditure on remuneration of trustees of Kshs.18, 949,000 could not be confirmed.</p>				
<p>1. Single Sourcing of Security and Fuel Products</p>	<p>REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES</p> <p>The statement of financial performance reflects expenditure on use of goods and services of Kshs.98, 805,000 as disclosed in Note 9 to the financial statements. The balance includes security and vehicle running expenses of Kshs.1, 130,000 and Kshs. 7,207,000 respectively. Analysis of the supporting documents for these expenses revealed that during the year under review, a security firm was awarded a contract effective from 1 September, 2020 with an expiry date of 31 August, 2021. The security firm was single sourced without justification contrary to the requirements of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on direct procurement. It was also noted that, for the first two months of the financial year under</p>	<p>Management wishes to clarify under Public Procurement and Asset Disposal Act, 2015 and its attendant Regulations 2020, there is no procedures known as Single sourcing. What happened under the two subject items was extension of contracts from previous procurement processes. The documents which were provided to the Auditors.</p> <p>On supply of fuel, the Fund has continued to retain the services of Total Energies as it has a widespread network of pump stations to cope with its mandate of carrying out field activities through use of fuel cards. The pricing of fuel in Kenya is also controlled by the Energy and Petroleum Regulatory Authority which has made it difficult for marketers to compete on pricing. The price are set on the 14th of every month to be effective for the entire month.</p>	<p>Rose Ndiritu HR Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>audit, the procuring entity paid the security firm an amount of Kshs. 157,516 against a lapsed contract. Further, the Fund single sourced oil, fuel and lubricants from a fuel company contrary to the requirements of Section 103 of the Public Procurement and Asset Disposal Act, 2015 on direct procurement. In addition, no documentary evidence was provided for audit to confirm that a contract agreement was signed between the procuring entity and the fuel company. Under the circumstances, the regularity and value for money for the above expenditure totalling Kshs.8, 337,000 on security and vehicle running expenses could not be confirmed.</p>	<p>Management have since procured new service providers for fuel Ms. National Oil corporation and are in process of procuring security services.</p>		
<p>2. Non-Compliance with the One Third of Basic Salary Rule</p>	<p>During the year ended 30 June, 2021, some employees earned a net salary of less than a third (1/3) of the basic salary for all the twelve months of the financial year contrary to Section C.1 (3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The management has not given an explanation for failure to comply with the policy. In the circumstance, the Fund Management contravened Section C.1 (3) of the Public Service Commission (PSC) Human Resource Policies, 2016 as this may expose the staff to pecuniary embarrassment.</p>	<p>Employees have access to check off loans with financial institutions and Sacco's. The noted variances have been occasioned by instances where the loan repayment amounts and other staff payroll commitments go beyond the 1/3 net pay requirement This has been regularized and all employees will be within the 1/3 rule.</p>	<p>Rose Ndiritu HR Manager</p>	<p>Resolved</p>

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

<p>3. Un-Approved Remuneration Structure</p>	<p>As disclosed under Note 10 to the financial statements, the statement of financial performance reflects employees' costs amounting to Kshs.111, 010,000 which includes salaries and wages, housing benefits and allowances, pensions contributions and medical aids. However, as previously reported, the salary structure and scale on payment of employees' salaries and allowances used by the Fund was not approved by the Salaries and Remuneration Commission contrary to Article 230(4) of the constitution which provides that the powers and functions of the Salaries and Remuneration Commission shall be to advise the National and County Governments on the remuneration and benefits of all other public officers. Consequently, the Management is in breach of the law.</p>	<p>The last SRC job evaluation exercise coincided with the period that the Crops Act came into effect hence the formation of Commodities Fund. Being a transition period, the Fund did not take part in the Job Evaluation Exercise at that time and therefore continued using the structure of the then Coffee Development Fund pending the approvals of its own documents. The proposed organization structure, Career Guidelines and Salary Structure were developed in consultation with the Department of Public Service Management (DPSM) in year 2018, and the same approved internally by the Board of Trustees. The documents have since been forwarded to the parent ministry as well as SCAC for approval. The Fund is now participating in the ongoing SRC Job Evaluation Exercise and management shared the Job Description Manual, Organization Structure and Career guidelines with SRC in January 2021 for purposes of evaluation and development of a salary structure for Commodities Fund.</p>	<p>Rose Ndiritu Human Resources Officer</p>	<p>Not Resolved</p>	<p>Ongoing</p>
<p>4. Non-Compliance with Law on Ethnic Composition</p>	<p>As reflected under Note 10 to the financial statements, the statement of financial performance reflects employee costs amounting to Kshs.111,010,000. The amount comprises of salaries and wages, housing benefits and allowances, pension contributions and medical aids. However, during the year under review, 34% of the employees were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and</p>	<p>Commodities Fund promotes equal employment opportunities and management is committed to progressively ensure ethnic representation and balance on recruitment of new employee and replacement of existing ones. The Fund has a representation of 11 communities despite the few staff numbers. The last recruitment of 13 employees in year 2020 saw a representation of 9 communities. Management is committed to comply with the provisions of section 7 of</p>	<p>Rose Ndiritu Human Resource Manager</p>	<p>Resolved</p>	

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

	<p>Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.</p> <p>Consequently, the Management is in breach of the law.</p>	<p>the National Cohesion and Integration Commission Act No. 12 of 2008</p>			
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**Ms. Nancy C Cheruiyot
Managing Trustee**

16/02/2023

Date:

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022
APPENDIX II: PROJECTS IMPLEMENTED BY THE COMFUND**

Projects

The sole project being implemented by ComFund in 2021/2022 was as follows:

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Coconut Revitalizati on Project	1169108400	GOK	5 Years	N/A	No	Yes

Status of Projects Completion

Status of completion is as follows:

Project	Total project Cost Kshs '000'	Total expended to date Kshs '000'	Completion % to date	Budget Kshs '000'	Actual Kshs '000'	Sources of funds
Coconut Revitalizati on Project	1,000,000	100,000	10%	50,000	50,000	GOK

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

APPENDIX III: TRANSFERS FROM OTHER ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Recurrent Portion of development.	
Agriculture and Food Authority (AFA)	20/9/2021	Recurrent	3,690,600.00	3,690,600.00	-	-	-	-	3,690,600.00
State Department for Crops Development	23/08/2021	Development	25,000,000.00		16,000,000.00			9,000,000.00	25,000,000.00
State Department for Crops Development	21/04/2022	Development	25,000,000.00	25,000,000.00	17,953,190.00			7,046,810.00	25,000,000.00
State Department for Crops Development	05/08/2021	Recurrent	12,500,000.00	12,500,000.00					12,500,000.00
State Department for Crops Development	04/11/2021	Recurrent	12,500,000.00	12,500,000.00					12,500,000.00
State Department for Crops Development	11/02/2022	Recurrent	4,166,666.70	4,166,666.70					4,166,666.70

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

State Department for Crops Development	25/02/2022	Recurrent	4,166,667.00	4,166,667.00						4,166,667.00
State Department for Crops Development	28/03/2022	Recurrent	4,166,666.00	4,166,666.00						4,166,666.00
State Department for Crops Development	22/04/2022	Recurrent	4,166,666.00	4,166,666.00						4,166,666.00
State Department for Crops Development	16/06/2022	Recurrent	4,166,666.00	4,166,666.00						4,166,666.00
State Department for Crops Development	24/06/2022	Recurrent	4,166,667.00	4,166,667.00						4,166,667.00
Total			103,690,598.70	53,690,190.00	33,953,190.00				16,046,890.00	103,690,598.70

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

Appendix V- Inter-Entity Confirmation Letter



Commodities Fund

2nd floor, Railways Headquarters Building Block D;
Workshop Road, Off Haile Selassie Avenue
P.O. Box 52714 - 00200
CITY SQUARE
NAIROBI

Ref: CF/FIN/Vol.13/3462



Phone: +254-20-2210805/9
Mobile: 0728 - 602427/8
Fax: +254-20 - 2210816
E-mail: info@codf.co.ke
Website: www.codf.co.ke

Date: 14th September, 2022

The *Commodities Fund* wishes to confirm the amounts disbursed to us as at 30th June 2022 was as indicated in the table below. Please compare the amounts with your records and stamp this request in the space provided and return it to us.

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30th June 2022			Amount Received by [Commodities Fund] (Kshs) as at 30 th June 2021 (E)	Differences (Kshs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
REC/0010001543	23/08/2021		25,000,000.00		25,000,000.00	-

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

**Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022**

FT22113K5JW	21/04/2022		25,000,000.00		25,000,000.00		25,000,000.00	
REC/00000001399	05/08/2021	12,500,000.00			12,500,000.00		12,500,000.00	
REC/000000003551	04/11/2021	12,500,000.00			12,500,000.00		12,500,000.00	
FT22042WP0SC	11/02/2022	4,166,666.70			4,166,666.70		4,166,666.70	
FT22056881RB	25/02/2022	4,166,667.00			4,166,667.00		4,166,666.00	
FT220875XJ7H	28/03/2022	4,166,666.00			4,166,666.00		4,166,666.00	
	22/04/2022	4,166,666.00			4,166,666.00		4,166,666.00	
FT22167C8RXT	16/06/2022	4,166,666.00			4,166,666.00		4,166,666.00	
FT22175F6JTP	24/06/2022	4,166,667.00			4,166,667.00		4,166,666.00	
Total		49,999,998.70	50,000,000		99,999,998.70		99,999,998.70	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Sign Date



Commodities Fund
Annual Report and Financial Statements for the Year ended 30th June 2022
Appendix V. Inter-Entity Confirmation Letter



Commodities Fund

2nd floor, Railways Headquarters Building Block D;
 Workshop Road, Off Haile Selassie Avenue
 P.O. Box 52714 - 00200
 CITY SQUARE
 NAIROBI

Phone: +254-20 - 2210806-9
 Mobile: 0728 - 602427/8
 0737 - 204278/9
 Fax: +254-20 - 2210816
 E-mail: info@codf.co.ke
 Website: www.codf.co.ke

Ref: CF/FIN/Vol.13/3561

Date: 14th September, 2022

The *Commodities Fund* wishes to confirm the amounts disbursed to us as at 30th June 2022 was as indicated in the table below. Please compare the amounts with your records and stamp this request in the space provided and return it to us.

Reference Number	Date Disbursed	Amount Disbursed by [AFA-Coffee Directorate] (Kshs.) as at 30th June 2022				Amount Received by [Commodities Fund] (Kshs.) as at 30 th June 2022 (E)	Differences (Kshs.) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
AFA-Coffee Directorate	20/9/2021	3,690,600			3,690,600	3,690,600	-
Total		3,690,600			3,690,600	3,690,600	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants Department / Director :

Name AZENATH MAKORI Sign [Signature] Date 15/09/2022

