

REPUBLIC OF KENYA



**OAG**



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA ANIMAL GENETIC  
RESOURCES CENTRE**

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



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OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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**KENYA ANIMAL GENETIC RESOURCES CENTRE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
30<sup>TH</sup> JUNE, 2021**

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

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**Reports and Financial Statements**  
**For the year ended 30th June, 2021**

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## **I. KEY ENTITY INFORMATION AND MANAGEMENT**

The Kenya Animal Genetic Resources Centre (KAGRC) formally, CAIS was established in 1946 through a Gazette Notice No. 557 as a semen production and distribution Centre. The Centre has been given full autonomy as a State Corporation, through a Gazette Notice No. L.N. 110 of 5th September 2011. The new mandate of the Centre includes production, preservation, distribution and conservation of animal genetic material as well as rearing of breeding sires for provision of high quality disease free semen to meet National demand and for export. KAGRC is situated 15 km from City Centre (West of the Nairobi City), and has its Headquarters in Lower Kabete in Nairobi and has land capacity of about 358 Acres, 125 bulls in the stud, Three administration Blocks, A Laboratory, Reticulated water system, Electrical installations, and other infrastructure.

The Centre works in close collaboration with other breeding organizations such as Kenya Stud Book, Dairy Recording Services of Kenya and Livestock Recording Centre, Research Organizations, Universities, community Based Organizations (CBOs) and individual farmers. Together, we implement the Contract Mating Program through which breeding sires are recruited to the Centre for semen production and Progeny Testing Program (PTP). The PTP provides a basis against which the estimated breeding value of the bulls at the Centre is calculated. In addition to this, the Centre has entered into a memorandum of understanding with American Holstein Friesian Association to undertake GENOMIC evaluation of our Bull Dams, the Bulls themselves and their heifers for efficient performance of the Centre. Four (4) dairy breeds are kept in the Centre, namely Friesian, Ayrshire, Jersey and Guernsey and 1 beef breeds of bovine species namely Boran and Sahiwal, a dual purpose breed

### **(a) Principal Activities**

The Centre's principal activity is the production and distribution of bull semen. The other mandates as stated in the legal notice 110 of September 2011 include the following;

1. Establish a national livestock resources gene bank for conservation of livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species for posterity in Kenya.
2. Conserve for posterity and avail livestock tissues, DNA, semen and embryos of all livestock and emerging livestock species in Kenya for both research and Breeding
3. Engage in strategic semen production

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4. Serve as a reference laboratory for certification, testing of semen, embryos and related livestock productive materials for purpose of import and export
5. Either alone or in collaboration with other institutions, provide information on the suitability and effectiveness of animal breeding products
6. Either alone or in collaboration with other institutions, develop and produce chemicals and laboratory products for use in the production of semen.
7. Provide training in animal resource conservation procedures, semen, in-vitro and in-vivo embryo production and transfer and related technology transfer.

**(b) Key Management**

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

- Board of Directors
- The Managing Director
- Management

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

<b>Name:</b>		<b>Designation:</b>
Dr. David Kios	-	Managing Director
Dr. Paul Egesa	-	Director Research & Technical Services
CPA Faith Aciita	-	Director, Corporate Services
Dr. Roseline Wambugu	-	Director, Extension Services
Dr. Herbert Atsiaya	-	Director, Strategy & Planning
Dr. James Mbuchu	-	Manager, Germplasm Production and Quality Assurance
Ms. Lucia Koskey	-	Manager, Human Resource & Administration
CPA. Michael Oduor	-	Head of Internal Audit
Ms. Naomi Jeptoo	-	Head of Supply Chain Management
CPA Silas W. Osundwa	-	Head of Finance

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**(d) Fiduciary Oversight Arrangements**

The Board of Directors meets on quarterly basis to monitor the implementation of the Centre's planned strategy, review it in conjunction with its financial and budgetary performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. The Board held various meetings during the period under review, approved the Strategic Plan and revised Human Resource tools.

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board so as to ensure that the board plays the oversight role.

**BOARD COMMITTEES**

The Board has constituted committees which meet regularly namely Audit Committee, Human Resource and Finance Committee and the Technical committee. The terms of reference for each committee are well set by the board.

**(a) Audit Committee**

The Committee comprises of members of the Board who are independent of the day-to-day management of the Company's operations. The Head of Internal Audit is the secretary to the committee.

The Committee's responsibilities include:

- a) Considers the appropriateness of the Center's accounting policies and procedures.
- b) Monitors and assess the role and effectiveness of the internal audit function.
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of head of internal audit.

**(b) Finance, Human Resource and administration Committee**

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;



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- a) Review and approve the Centre's budget
- b) Reviews and monitors the integrity of the Centre's annual and interim financial statements
- c) Deals with matters relating to appointment, remuneration and resignation or dismissal of staff.

**(c) Technical Committee**

The Committee comprises of at least 3 non-executive members of the Board who are independent of the day-to-day management of the Centre's operations.

The main responsibilities of the committee are;

- a) Advising the board on all technical issues affecting the Centre
- b) Providing policy direction of Genomic Advisory Committee, laboratory processes and quality control.
- c) Deals with policy direction of research on emerging technologies and best practices,

**(e) Entity**

**Headquarters**

P.O Box 23070

Lower Kabete

Nairobi

**(f) Entity Contacts**

Telephone: 020-2064018, 4181325/6 DL: 020-2064027, Cell Phone:

0728899767/0737540670

E-mail: [info@kagrc.co.ke](mailto:info@kagrc.co.ke)

Website: [www.kenyaanimalgeneticresourcescentre](http://www.kenyaanimalgeneticresourcescentre.org)

**(g) Entity Bankers**

ABSA Bank Kenya

PLC Westlands

Branch P.O. Box

14403-00800

Nairobi, Kenya

**(h) Independent Auditor**

Office of the Auditor

General

Anniversary Towers, University

Way P.O. Box 30084



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GPO 00100  
Nairobi,  
Kenya

**(i) Principal Legal Advisor**  
The Attorney General State  
Law Office Harambee  
Avenue  
P.O. Box 40112  
City Square  
00200 Nairobi,  
Kenya

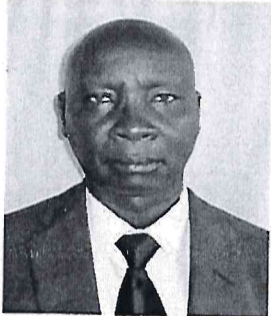


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**II. BOARD MEMBERS**

 <p>Dr. Geoffrey K kamau</p>	<p>Dr. Geoffrey Kamau is the chairman of the Kenya Animal Genetic Resources Centre Board having been first appointed to the office in April 2015 and thereafter in June 2018. He oversees the development and promotion of optimum productivity of the national animal population through provision of high quality disease free animal germplasm and related breeding services. Dr. Kamau has a wealth of experience in veterinary extension services acquired through working with farmers at various capacities in Kenya. In addition, he has wide experience in leadership, partnerships and mobilization of teams and is also an entrepreneur in hospitality services. He is a graduate of Bachelor of Veterinary Medicine from the University of Nairobi.</p>
 <p>Dr. Margaret Makelo, PhD</p>	<p>Margaret Nafula Makelo (PhD), is currently the Director, Knowledge Management, Technology Transfer and Capacity Building in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives, State Department for Crops Development and Agricultural Research on secondment. Dr Makelo is a plant breeder PhD (pigeonpea breeding) graduate from the University of KwaZulu Natal, South Africa. She has a MSc in Plant Pathology and BSc Botany/zoology from the university of Nairobi. Dr Makelo has worked for Kenya Agricultural and Livestock Research Organization (KALRO) for over 30 years starting as a plant pathologist at KALRO Kisii then later as a program Officer (Technology Packaging and Transfer), and Assistant Director (Technology Transfer) at KALRO Headquarters, Nairobi. She has served in various committees as a science editor, in task forces, as AWARD mentor for KALRO, as principal coordinator of various projects. She has published widely in refereed journals, conference proceedings, book chapters, and co-authored booklets and training manuals.</p> <p>She is a member of the Board Audit Committee</p>
 <p>Mr. John Gethi</p>	<p>John is an independent director of the Board and chairs the Finance, Human Resource and Administration Committee of the Board and a member of the Board Technical Committee. John is currently Director - Milk Procurement and Manufacturing - Brookside Africa Ltd. He is an Agricultural Economics graduate of University of London. He has been in farming and the agribusiness industry for almost 30 years and has held several agribusiness responsibilities spanning dairy, seed, horticulture, coffee and tea. John has also been involved in several National dairy task forces set up to tackle key issues within the industry.</p>



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	<p>Mr. Martin Ngomat, an independent Director, is the Chair of the Board Technical Committee and a member of the Finance, Human Resource &amp; Administration Committee. He has a Master’s degree in Agricultural &amp; Rural Development, a Bachelors degree of Science in Agriculture (Atoms) and a Diploma in Agriculture (Distinction) from Egerton University. He is currently pursuing a PhD in Agricultural and Rural Development at Kenya Methodist University. His research is titled “Evaluation of Bull nutrition on semen quality and quantity at Kenya Animal Genetic Resources Centre- Lower Kabete Nairobi-Kenya. He works as an Agricultural Consultant and has a vast experience in Agricultural Research and Management having been oil crops Manager at Kenya Seed Company. Has several International Publications in peer reviewed journals and also involved in farming and agri-business.</p>
	<p>Ms. Zena Challa is the Chair of the Board Audit Committee. She is an Agricultural Economist and holds a BSc in Agricultural Economics (1992) from Egerton University Kenya. Dissertation – The Role of Women in food production and an MSc in Development Projects: management and implementation (2003) International, Rural Development Department, Reading University in the United Kingdom. (Thesis – Project Evaluation and Utilization of findings: theory and practice.). She lectured at Taita Taveta University in the Agribusiness and Small Enterprise Management Department and in project Management and Evaluation at Moi University – Mombasa Campus. Ms. Zena is a Gender and Participatory Evaluation Expert.</p>
	<p>Dr. Joseph Gichane Mureithi is currently the Deputy Director General for Livestock Research, Kenya Agricultural Research and Livestock Institute, a position he has held since July 2006. Prior to this, he served as the coordinator of the Legume Research Network Project (LRNP), the Soil Management Project, and Farmer Field School Project funded by the Rockefeller Foundation between 1997 and 2006. Dr. Joseph Mureithi is a forage agronomist who has extensive experience in green manure cover crops (GM/CCs) research and development work. As the coordinator of the LRNP he spearheaded the development of the GM/CCs systems for various agro-ecologies in Kenya and also characterized their potential niches. He is trained in participatory research methods and was involved in the training of five dairy research/extension clusters in Kenya in those methods. Dr Mureithi is a member of the Technical Committee of the Board.</p>



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	<p>Mr. Robert Wanyondu Gatonga is a representative of the Principal Secretary of the National Treasury to the board. He is a member of the Finance Human Resource and Administration and the Audit Committees of the Board. Mr. Gatonga is currently a Resource Mobilization Officer at the National Treasury. He has previously worked with the State Department of Statistics and Planning as a District Development Officer. He is currently charged with mobilizing domestic and external resources for financing national and county budgetary requirements and undertake bilateral and multilateral negotiations relating to grants and loans. He has vast experience in formulation of development plans and financial budgets. He is also an ICT expert especially in software and database management systems.</p>
	<p>Ruth is an independent Director and a Lawyer by profession. She holds an LLB(Hons) Bachelor of Laws, Catholic University of Easter Africa, LLM (Merit)(Human Rights Law) London, Commonwealth Alumna She is a lecturer in Law (CUEA), and a consultant on Project development, Monitoring, Evaluation, Assessment and Learning (MEAL) of programs on education and women development through agriculture and table banking, Development research, Child Protection Training. Her interest is in Economic Rights, Development, Gender Law, Governance, Constitutional Law and Alternative Dispute Resolution.</p> <p>She is a member of the board Finance Human Resource and Administration and the Audit Committees.</p>
	<p>Born on the 12<sup>th</sup> day of December 1963, Dr. Njagi has served in the Directorate of Veterinary Services, State Department for Livestock in various capacities for over 30 years since graduating from the University of Nairobi with a Bachelor of Veterinary Medicine in 1988. He holds a Master's degree in veterinary pathology and a PhD in veterinary immunoparasitology from the University of Nairobi and Technical University-Dresden, Germany. He has authored several publications in veterinary science and has undergone several development, public policy and leadership trainings.</p> <p>He has served as Director in several Boards of state corporations; Pest Control Products Board, Pharmacy and Poisons Board, Kenya Meat Commission, Kenya Tsetse and Trypanomiasis Eradication Council, Veterinary Medicines Council and the New KCC.</p> <p>He has contributed significantly in development of the veterinary service both in Kenya and the EA region. He is most credited for his focused leadership in the national roll-out of the East Coast fever vaccine and development of the Mutual Recognition Process (MRP) for registration of immunological veterinary products (IVPs) in the EAC</p> <p>He is currently the Director of Veterinary Services/Chief Veterinary Officer, official delegate for Kenya to the World</p>



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	<p>Organization for Animal Health (OIE) and the Chairman, Veterinary Medicines Directorate Council (VMDC) He hails from Embu County and is a father of one daughter.</p> <p>He is a member of the Board's Technical Committee.</p>
 <p>Dr. David Kios, PhD, HSC</p>	<p>Dr. David K. Kios – Managing Director Kenya Animal Genetic Resources Centre is a holder of Bachelor of Veterinary Medicine from University of Nairobi, a Master of Science in Animal Breeding from the University of Pretoria, Republic of South Africa and a PhD in Theriogenology (Animal Production) from the University of Nairobi. He is in charge of day to day running of the Centre's activities and is the Secretary to the Board. He also serves as a Director at Action Aid and a member of the Board of Management of Kipture High School. He has extensive knowledge in research and development gained at the University of Eldoret.</p>

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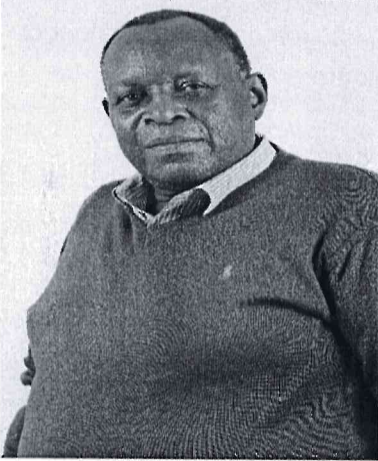

**Board Committees**

<b>Name of the Committee</b>	<b>Members</b>
Finance & Human Resource	<ol style="list-style-type: none"><li>1. Mr. John Gethi - Chairperson</li><li>2. Mr. Robert Gatonga</li><li>3. Mr. Martin Ngomat</li><li>4. Ms. Ruth Muigai</li></ol>
Technical Committee	<ol style="list-style-type: none"><li>1. Mr. Martin Ngomat - Chairperson</li><li>2. Mr. John Gethi</li><li>3. Dr. Obadiah Njagi</li><li>4. Dr. Joseph Mureithi</li><li>5. Mr. Peter Rutere</li></ol>
Audit Committee	<ol style="list-style-type: none"><li>1. Ms. Zena Challa. - Chairperson</li><li>2. Mr. Robert Gatonga</li><li>3. Ms. Ruth Muigai</li><li>4. Mr. Peter Rutere</li></ol>

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**III. MANAGEMENT TEAM**

**(a) Key Management**

 <p><b>Dr. David K. Kios, PhD, HSC</b>  <b>BVM (UoN), MSc.(UP), PhD (UoN)</b></p>	<p>Dr.Kios is the Managing Director. He is responsible for the implementation of Centre’s objectives and strategies for the realization of its goals. He is also responsible for the day to day running of the Centre’s activities and is the Secretary to the Board.</p>
 <p><b>Dr. Herbert Atsiaya</b>  <b>BVM (Uon), MSc</b></p>	<p>Dr. Herbert Atsiaya is the Director, Strategy &amp; Planning</p> <p>He’s responsible for initiating the development and review of the strategic plan, carrying out internal quality control and managing performance contract within KAGRC.</p>
 <p><b>Dr. Roseline Wambugu, OGW</b>  <b>BVM (UoN), MVB (UoN)</b></p>	<p>Dr. Wambugu is the Director, Extension Services. She’s responsible for marketing KAGRC products &amp; services, corporate communication &amp; branding and extension services.</p>

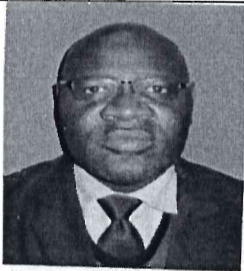


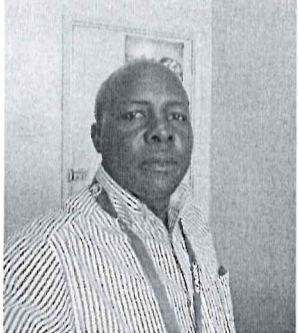
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 <p><b>Dr. Paul Egesa</b> BVM (UoN)</p>	<p>Dr. Egesa is the Director Research &amp; Technical Services. His duties involve coordinating the design and management of current and upcoming breeding technologies, semen production and quality control</p>
 <p><b>Ms. Faith K. Aciita</b> CPA(K), BCom (Fin), MBA Strategic Management</p>	<p>Ms. Aciita is the Director, Corporate Services. She's responsible for advising management on policies and strategies that relate to Finance &amp; Accounts, human resource &amp; administration to ensure optimal utilization and management of organisation's resources.</p>
 <p><b>Dr. James Mbuchu</b> BVM (UoN)</p>	<p>Dr. Mbuchu is the Manager, Germplasm Production and Quality Assurance. This function entails semen collection, evaluation, processing, packaging and certifying germplasm.</p>



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 <p>CPA Michael Oduor Wanyama B.Com, CPA(K), CISA</p>	<p>Michael is the head of Internal Audit. He is responsible for reviewing the internal control systems, verifying operations and activities on the utilization of Centre's resources, preparation of audit reports and follow up on the implementation of audit recommendations.</p>
 <p>Mrs. Lucia Koskey MBA (Human Resource)</p>	<p>Ms. Koskei is the Manager, Human Resource and Administration. She is responsible for effective organization and administration of the human resource management, development of appropriate human resource policies for effective performance and productivity, human resource planning, advising on proper deployment and succession management.</p>
 <p>Ms. Naomi Jeptoo Bachelor of Purchasing &amp; Supply Management, MSc. Procurement &amp; Logistics.</p>	<p>Ms. Naomi Jeptoo is in responsible for implementing efficient and effective systems for the acquisition of goods and services, preparation of annual procurement plans, issuance of goods as well as disposal of assets.</p>
 <p>CPA Silas Osundwa Senior Accountant CPA (K), CS, BCom (Finance)</p>	<p>Silas is the Head of Finance and is in charge of budget and budgetary control, working capital management financial reporting and ensuring sound accounting and financial management systems.</p>

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#### **IV CHAIRMAN'S STATEMENT**

During the FY 2020/ 2021, the Board set out to leverage on the 4 strategic objectives as outlined in the KAGRC Strategic plan 2018 / 2022 i.e; increase capacity for germplasm production, strengthen institutional capacity, infrastructure development and legal framework, expand market share of KAGRC products and strengthen financial base and strengthen research innovation and development in animal genetic resources. KAGRC accomplished remarkable progress in the first 3 strategic objectives which are in line with Big Four Agenda.

In terms of semen production, KAGRC was able to maintain semen production and processing at about 751,000 straws even though this figure could have been exceeded if production was not stopped due to the outbreak of COVID 19. The construction of Dairy Goat A.I. Centre is at AHITI Ndomba which is being financed fully through GoK grants was launched by the Cabinet Secretary for Agriculture Hon. Kiunjuri October 2019. This project signifies our commitment to diversity in provision of high quality genetic material for social economic development. The project is 80% complete and it is expected to contribute immensely to the livelihoods of small scale farmers especially youth and women who can easily venture into dairy goat farming.

To ensure services are taken nearer to the people, KAGRC has devolved its functions by opening satellite Centres Ndomba, Eldoret, Nyahururu, Chuka and Sotik to function as distribution Centers for KAGRC products and services. In line with this strategy, the Centre hopes to put up a satellite herd in Nyahururu, embryo transfer lab in Eldoret, and other liquid nitrogen distribution and production Centres in Mariakani and Kakamega, in the near future. KAGRC entered into partnerships and signed MOUs with several county governments for the supply of semen, liquid nitrogen, artificial insemination equipment and offer refresher training on safe handling of semen and liquid nitrogen. In the year under review, KAGRC recruited true additional agents in potential areas where there were no agents as a way to expand its market share and increase its financial base.

The draft KAGRC bill which is expected to enhance the Centre's legal status is at an advanced stage. Little however, was accomplished in strengthening research innovation and development in animal genetic resources since this will require improving on current staff strength to hire more researchers and attract funding for research and innovation, something the Board has committed to achieving in the near future.




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Despite the achievement highlighted above, the Centre had some challenges during the year that included; in adequate financial resources to carry out all projected activities, low staffing levels and the freeze on employment by the government and lack of land titles for lands currently occupied by KAGRC and whose titles have not been transferred to KAGRC. The Centre is poised for greater achievements despite the challenges above. In line with our strategic plan 2018 – 2022, KAGRC will leverage on its gains to continue increasing market share through spreading to other area of the country to market its good and services. The organization will also diversify to offer genetics in other animal species e.g. goats, poultry, pigs, camels etc in line with its mandate. KAGRC will also strengthen research in collaboration with other research institutions to improve on its breeding technologies and extension services. Conservation, particularly cryo-conservation is a very important aspect of KAGRC mandate. The organization will seek to engage other stakeholders to start ground work in this critical area with a view to starting off with a few species and later expanding to other animal species.

All the above outlined activities will require huge financing. This may not be available at once, but the organization will continue to engage with the government and other stakeholders to lobby for funding in order to finance its operations and meet its objectives. It is also critical to note that almost all of KAGRC's functions are aligned to the government's Big 4 Agenda i.e improved nutrition, health, manufacturing and wealth creation leading to improved affordable housing. The collateral also involves youth employment and in this aspect, KAGRC was involved in the distribution of over 1,000 A.I. kits to enable over 1,000 youths throughout the country to engage in self-employment while offering critical A.I services to farmers at affordable rates. The future outlook for KAGRC is bright and it is my hope that all will support the Board to carry out its mandate to realize the organizations mandate.

Signed.....

Professor James Wabacha  
Chairman Board of Directors

Date.....

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**V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

The Kenya Animal Genetic Resources Centre (KAGRC) set out in its FY 2020/2021 plan to consolidate the gains attained in previous years since its inception in 2011 and also transform itself into a more efficient and effective State Corporation as envisioned in its strategic plan. Part of the strategy involved the review of its old strategic plan to get a new plan covering the period 2018 – 2022. The new plan aligned itself to the Big Four agenda, medium Term plan III, Kenya Vision 2030, Agricultural Sector Development Strategy and other government policies. Four strategy objectives were identified on which the FY 2020 / 2021 plan was based, namely;

**Increase capacity for germplasm production and preservation,**

KAGRC set out to put up modern laboratories, equip them, construct bull housing, recruit breeding bulls, undertake genomic evaluation amongst others. All these activities were to be implemented during the 5year phase. For the activities planned for FY 2020/2021, KAGRC managed to process about 785,786 straws of bull semen against a target of 1.1 Million. 6 bulls were genetically evaluated against a target of 6, twelve (12) bulls recruited for semen production against a target of twelve (12), genetic diversity was maintained, and a new goat A.I. station is nearing completion in Kirinyaga Ndomba to offer diversity in species germplasm. This will be a landmark achievement and KAGRC will leverage on this to increase its capacity to promote farmers with germplasm for other animal species. In addition, KAGRC has lobbied for more funding to initiate its capacity in Cryo – preservation of germplasm as per its mandate. At present, the organization has increased its strategic semen reserve from 269,000 straws to 309,000 straws, thus achieving its target for the year.

**To strengthen institution capacity infrastructure development and legal frame work,**

KAGRC has devolved its functions to offer products and services at its satellite centres in Ndomba, Eldoret, Nyahururu, Chuka and Sotik. Additional vehicles and farm machinery (where necessary) will be procured very soon to facilitate operations in these areas. Farmers are now able to get products and services more efficiently. In addition, KAGRC maintained collaborations with 23 county governments and 63 agents for the purpose of distribution of its products. 2 new agents were recruited and 44 farmers' field days held to educate farmers against a target of 17 field days. All this was achieved due to improved funding from the exchequer and improvement in sales of KAGRC products and services. I am extremely grateful for the government support.



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**Expand market share of KAGRC products and strengthen financial base,**

KAGRC was able to consolidate its market share by selling 523,902 straws of bull semen for use by inseminators compared to 660,624 straws the previous year thus availing more funds to facilitate its operations. In addition, KAGRC lobbied and attracted funding from the government to a tune of 100 million to continue construction of the Goat A.I. in Ndomba and purchase farm machinery and equip the labs. An additional Ksh200 million grant was received from the government for putting up an embryo transfer (ET) laboratory and semen sexing facility .

**Strengthen Research, Innovation Development in animal Genetic Resources**

KAGRC accomplished little during the year as this will require hiring of more staff and funding to carry out Research in collaboration with other institutions as per its mandate. Cryo – preservation is particularly important and efforts are being put in place to explore ways in which to attract donors to help fund this critical aspect of KAGRC mandate.

Low funding and lack of adequate staffing levels in critical areas continue to harbor KAGRC's ability to realize its goals. It is hoped that this area will be given the necessary attention in order to properly align KAGRC operations with its mandate and objectives as outlined in its strategic plan 2018 – 2022.


Some of the areas that need urgent funding include:-

1. Construction and equipping of modern laboratories.
2. Construction of the bull housing.
3. Improvement on infrastructure including fencing as per quarantine requirements stipulated in OIE regulations.
4. Establishment of nuclear herds for embryo transfer technology.
5. Acquisition of semen sexing facilities and staff capacity building on the same.
6. Recruiting of researchers.
7. Staff housing as per OIE regulations.
8. Construction of an embryo transfer laboratory.
9. Increase capacity for Cryo – preservation and train staff in conservation.

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It is hoped that KAGRC will achieve all the above in line with its revised Strategic plan 2018 – 2022 which is ambitious, achievable and necessary for the development of the Livestock sector in the Country.



Signed.....

Dr. David K. Kios HSC

Managing Director

Date..... 27/04/2022 .....

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**III. VI REVIEW OF KAGRC'S PERFORMANCE FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. KAGRC has four (4) strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

Pillar 1: Increase capacity for germplasm production, preservation and conservation;

Pillar 2: Strengthen Institutional Capacity, infrastructure development and legal framework;

Pillar 3: Expand market share of KAGRC products and strengthen financial base; and

Pillar 4: Strengthen research, innovation, collaboration with training institutions and development in animal genetic resources.

The Centre develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Centre achieved majority of its performance targets set for the FY 2020/2021 period for its 4 strategic pillars, as indicated in the diagram below:

**KAGRC'S PERFORMANCE AGAINST IT'S STRATEGIC OBJECTIVES FOR FY 2020/2021**

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
1) To increase capacity for germplasm production, preservation and conservation	i). Enhance germplasm production technology	1 modern laboratory renovated	Renovation of 1 laboratory	Renovations ongoing
		Equipped and functional laboratories	Equipping of the laboratories	Ongoing
		No. of bulls recruited and maintained	Recruit breeding bulls population	12 breeding bulls recruited and 115 maintained.
		Genomic Evaluation Report	Undertake genomics evaluation to establish animal breeding values	6 Breeding values of KAGRC bulls established.
	Goat AI centre, pig and poultry multiplication centre constructed	Enhance germplasm diversity to include other species e.g. goat	Goat AI Centre under construction at AHITI Ndomba. Pig and poultry to be constructed in FY 2021/2022 when funds are availed	
	ii). Enhance germplasm preservation and	No of plants installed and commissioned	Procure and install 4 liquid nitrogen plants	227,579 litres of liquid nitrogen availed
6 germplasm storage tanks acquired		Acquire 6 germplasm storage containers	Two large 400,000 straws capacity for germplasm storage	



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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	conservation capacity			in place
		Facility	Establish a facility for cryo-conservation.	One facility for cryo-conservation put in place
2) Strengthen Institutional Capacity, infrastructure development and legal framework	i). Anchor KAGRC in an Act of Parliament to give it legal status	Title deeds acquired	Apply for title deeds for KAGRC lands	KAGRC lands Title deed being followed up
		KAGRC Act	FastTrack the KAGRC Act	KAGRC Bill in draft form before parliament(anchored in the Livestock Bill)
	ii). Develop internal policies for various departments.	Policies in place	Develop and Present policies to the Board for approval	14 KAGRC policies already developed and approved
		ISO 9001: 2015 attained	Transit from ISO 9001:2008 to ISO 9001:2015/ ISMS	Transition of QMS ISO 9001:2008 to ISO 9001:2015 being completed
		Reviewed strategic plan monitoring reports	Review and monitoring of the strategic plan	KAGRC Strategic Plan 2018-2022 reviewed.
		PC reports and monitoring reports	Development and Monitoring of performance contracting	Monitoring of PC being done. KAGRC is awaiting evaluation by the PSPMMU
		Business continuity plan developed	Establish a business continuity plan	Business continuity plan being developed.
	iii). Improve infrastructure development.	Rehabilitated buildings, internal roads and paddocks	Rehabilitation of internal road network, bull paddocks and buildings	Construction of internal road network and rehabilitation of old buildings ongoing
		Bio-security facilities in place	Construction of bio-security facilities as per OIE standards	Compliance with OIE standards on bio-security
		Water reticulation system in place	Rehabilitate water reticulation system	Water reticulation system has been rehabilitated
		Office and ICT equipment purchased.	Purchase of office, ICT equipment & Software	Office and ICT equipment procured thus Improved work

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<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
				environment and communication
		Various farm machinery purchased	Purchase of vehicles & farm machinery	Vehicles and farm machinery to be procured in 2021/22 FY

## **VII CORPORATE GOVERNANCE STATEMENT**

At the Centre we are committed to the highest level of corporate governance which is critical to our business philosophy and to maintaining stakeholders trust. Our corporate governance policy functions as an inbuilt self-regulating mechanism, which provides the framework to monitor and ensure statutory compliance, foster a culture that values rewards the highest level of ethical standards and personal integrity. The Centre strives to ensure that the Board, management and staff act with integrity, honesty and professionalism at all times.

The Board is comprised of four independent members and two representatives of the permanent secretary ministry of Agriculture Livestock and Fisheries and the Permanent Secretary National Treasury respectively. The board comprises of representatives of various interest groups who contribute expertise and judgement, based on their professional qualifications and business expertise. The Board reflects a diversity of background and experience.

The responsibility on government agencies is to promote high standards of integrity, demonstrate leadership through their own actions and through documented policies and procedures, and identify and address unacceptable practices. This involves actions by both the organisation and individuals. The Centre ensures strict adherence to the code of ethics and other internal policies and procedures without deviation. The Centre has set out an ethical culture and values at the organisation level, and implements those values through policies and codes of practice.

The heads of departments are required to demonstrate those values through leadership, to positively reinforce the values and also to ensure compliance with, and enforcement of, the values. KAGRC staffs are conscious at all times of the need to uphold the highest standards of conduct in their dealings with the public, which includes acting with integrity and avoiding conflicts of interest.



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**Conduct of Business Operations, Performance**

The Centre's operations are carried out within an established framework of processes, procedures, systems and in line with the strategic plan. The Centre practises equal opportunity recruitment of qualified persons but ensures compliance in its hiring practises with policies guided by the constitution of Kenya (2010) in recognising regional and ethnic balance, gender balance and affirmative action to persons with disabilities where possible. The Centre recognises its human capital as strategic to the achievement of its strategic goals and objectives. To ensure that staff wellbeing is taken care of, the centre has undertaken a comprehensive medical scheme for all its staff and dependants.

**Risk Management and Internal Controls`**

The Board has the overall responsibility for the establishment and oversight of the centre's risk management frameworks. Risk management policies are established to identify and analyse risks and set mitigation mechanisms to reduce occurrence. This is achieved through in-house risk review enhanced by internal and external audits.

**ISO 9001:2008 Certification**

The centre has a functioning and continuously monitored Quality Management System (QMS). The QMS is monitored through quarterly management review meetings, internal and external audits aimed at ensuring that it satisfies all customer requirements.

**Compliance**

The board is satisfied that the Centre has to the best of its knowledge complied with all the relevant laws and conducted its affairs in accordance with law in particular the State Corporation Act and the Legal Notice No.110. Further disclosures on compliance are set out in the statement of the board of director's responsibilities and notes to the financial statements.

**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

The Centre's operations are carried out within an established framework of processes, procedures, systems and in line with the strategic plan. Projects and activities are linked to the budgeting cycle and annual performance contracts. The Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in



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conformity with the International Public Sector Accounting Standards (IPSAS), the Public Financial Management Act and Treasury circulars released from time to time.

This requirement entails compliance with, and enforcement of the Constitution. The Centre has implemented elements of the Constitution that are relevant to KAGRC's mandate. In addition, the Centre has conformed to all laws and regulations and circulars related to KAGRC. This includes Public Procurement and Disposal Act, regulations and rules - this entails development and adherence to the procurement plan, submitting the plan to PPRA by 31st August and quarterly procurement plan implementation reports to the Authority in the format provided. Remittance of Statutory Deductions which include, repayment of Higher Education Loans Board dues by beneficiary employees, Statutory Taxes, NHIF, NSSF, PAYE, NITA is always prompt.

In the year under review, total revenue increased by 51% from Kshs 148,245,745 to Kshs 224,455,215 . The development grant reduced from Kshs 135 million to Ksh 100 million because of a reduction across all sectors in the financial year. Actual recurrent grant increased from Ksh 7 million to Kshs 57 million and a grant of Kshs 8,338,744 received from Kenya Climate Smart Agriculture Project. The Centre negotiated for an increase in recurrent grant which if actualised will be directed towards settling the wage bill.

Development grant received from the National Government was directed towards construction of the Dairy Goat AI Centre in Kirinyaga County. We remain optimistic that the national government will complete funding of the Centre and are looking forward to start of operations towards the end of 2021/22 FY. This is our flagship project in the current development plans.

Total recurrent expenditure in the same period increased from Kshs 302 million to Ksh 339 million mainly due to an increase in the wage bill, marketing expenses brought about by outsourcing of liquid nitrogen and repairs of building as directed by the government.

The Centre had targeted to distribute 900,000 straws of semen and 400,000 litres of liquid nitrogen for Artificial insemination in the country, but managed 523,902 and 227,579 respectively. These targets were not met due to a number of challenges key among them being breakdown of the liquid nitrogen production plants, influx of cheap imported semen, the disruption by the Covid-19 pandemic in the financial year. We were able to set targets with our agents which helped monitor progress.

We intend to upscale our sales by leveraging on information technology through use of social media, establishment of a reward system for our agents, continuous engagement with our stakeholders, and training of AI providers and acquisition of distribution vans.

The Centre is also targeting to save on the cost of procuring hay through expansion of own hay fields

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in Ngong, Ahiti Ndomba and Kabete farms respectively. This is expected to have a spill over effect in the next financial years. The Centre has developed three proposals to mobilize external resources from the Kenya Climate Smart Agricultural Project and the Kenya Livestock Commercialization Project (KeLCoP). If successful the project will be implemented in the next financial year once the resources are made available.

#### **IV. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Kenya Animal Genetic Resources Centre exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

##### **i) Sustainability strategy and profile**

The Centre recognises that the institution's social, environmental and ethical conduct has an impact on its reputation and sustainability. The Centre's relationship with its stakeholders is guided by its commitment to integrity, professionalism and inclusiveness. Accordingly, we are committed to ensuring that each person and entity collaborating with the Centre is treated with dignity and respect, and is given an opportunity to contribute to the Centre's success. We strive to maintain a productive and open dialogue with all parties who may have an interest in our activities. We conduct regular customer satisfaction surveys, monitor suppliers and customers performance and actively encourage feedback from our employees using a variety of methods including employee satisfaction survey.

##### **ii) Environmental performance**

The Centre has in place an Environment, Health and Safety Committee whose main mandate is to develop and constantly review the Centre's environment sustainability policy and also advice the management on matters relating to the impact of the Centre's operations on the environment. During the year under review, the Centre in collaboration with Equity Bank planted 10,000 trees to help conserve the environment. The Centre has also engaged the National Environmental Management Authority to help in waste disposal when changing it's roofs from asbestos to the ordinary type. It is a



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costly exercise but will eventually be completed. An incinerator has been put up in the Centre to handle waste disposal in line with best practices.

**iii) Employee welfare**

The Centre has robust human resource policies and manuals that guide its engagement with staff, right from recruitment to separation taking into consideration gender, regional, socio-cultural diversity. There is also continuous engagement with National Council for Persons With Disability to The Centre created awareness on drug and substance abuse to staff, and undertook HIV/AIDS sensitization, testing and counselling. The Centre also has a comprehensive medical cover that includes health talks to our staff. The Centre has continually facilitated staff to undergo Continuous Professional Development (CPD) to help improve their skills and careers. Annual staff performance appraisals are undertaken to improve productivity with best employees being rewarded on merit. The Centre ensures compliance with the Occupational Safety and Health Act of 2007, (OSHA).

**iv) Market place practices-**

Diversity in our workforce and supply base helps foster the kind of innovation, sensitivity and vitality that enables us to effectively deliver our services. We embrace diversity across all levels of our collaborations and act on any feedback that improves our service delivery. During the financial year under review, the Centre recognized the need to act responsibly and constructively as a member of the surrounding communities.

The Centre appreciates the need to act responsibly within the industry. There is in place a corruption prevention committee that among other things helps control unethical behaviour among staff. So far, no member of staff has been dismissed on the basis of any vice. Internal control mechanisms are in place to ensure compliance of all corruption prevention advisories.

The Centre strives to maintain good business practices by treating its suppliers responsibly through honouring of contracts as and when they fall due. To fulfil the government's Access to Government Procurement Opportunities pledge, the Centre has committed in its Performance Contract to ensure Women, Youth and Persons With Disabilities get their share of procurement opportunities by committing 30% of all its procurement budget to AGPO group.



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We continually embrace ethical business practices that guarantee product and service quality to our customers through memoranda and contracts signed with our business partners. Our quality control department conducts quality assurance checks every year. One such exercise was undertaken in the year under review and customers given results.

v) **Corporate Social Responsibility / Community Engagements**

In partnership with the National Youth Service (NYS), the Centre distributed Artificial Insemination Kits to youth through out the country to help them start small and medium enterprises. To conserve the environment and improve food nutrition and security, the Centre started an avocado seedling project with a target of 100,000 seedlings. The Centre also gives priority to locals whenever employment opportunities arise, based on merit.

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**REPORT OF THE DIRECTORS**

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

**Principal activities**

The principal activities of the Centre are contained in page one.

**Results**

The results of the entity for the year ended June 30<sup>th</sup>, 2021 are set out on pages 30 to 35

**Directors**

The members of the Board of Directors who served during the year are shown on page six.

**Auditors**

The Auditor General is responsible for the statutory audit of the Centre in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Centre's financial statements for year ended 30<sup>th</sup> June 2020 were audited by the Office of the Auditor General.

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**IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 (3) of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

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

The Directors accept responsibility for the Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, and the State Corporations Act Cap 446. The Directors are of the opinion that the Centre's financial statements give a true and fair view of the state of Centre's transactions during the financial year ended June 30, 2021, and of the Centre's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Centre, which have been relied upon in the preparation of the Centre's financial statements as well as the adequacy of the systems of internal financial control.

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



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**Approval of the financial statements**

The Centre's financial statements were approved by the Board on 16<sup>th</sup> September 2021 and signed on its behalf by:



.....  
Dr. David Kios, HSC  
Managing Director

Date..... 27/04/2022



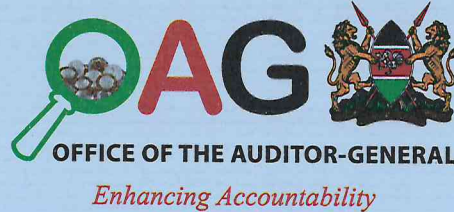
.....  
Professor James Wabacha  
Chairman Board of Directors

Date..... 27/04/2022



# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE YEAR ENDED 30 JUNE, 2021**

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### **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 Kenya Animal Genetic Resources Centre set out on pages 31 to 54, which comprise the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Animal Genetic Resources Centre as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of budget and actual amounts reflects total final budget and Kshs.445,000,000 capital expenditure while final approved budget for the component was Kshs.300,000,000 resulting to an unreconciled variance of Kshs.145,000,000. Further, the original budget balances reflected in the statement did not match the original budget approved by the Board.

In addition, the column showing percentage utilization was not included in the statement as required by the reporting template and guidelines issued by the Public Sector Accounting Standards Board.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts for the year ended 30 June, 2021 could not be confirmed.

#### **2. Sale of Goods and Services**

##### **2.1 Overstatement of Sales**

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects sale of goods and services totalling Kshs.224,455,215 which includes sale of semen and liquid nitrogen amounting to Kshs.106,715,396 and Kshs.57,978,100 respectively. However, the schedules provided for audit review included duplicate sales amounting to Kshs.69,780,506 resulting into an overstatement of sales by the same amount.

##### **2.2 Inaccuracies in Revenue from Sale of Goods and Services**

The statement of financial performance reflects sale of goods and services totalling Kshs.224,455,215. However, the supporting schedules provided for audit indicated the revenue collected as Kshs.173,913,300, resulting to an unexplained and unreconciled variance of Kshs.50,541,915.



Further, the receipt books in support of revenue sales reflected total collections of Kshs.263,327,114 resulting to a variance of Kshs.38,871,899 which was not explained or reconciled.

In addition, during a verification visit to Kirinyaga and Eldoret sub-stations, a sample of receipts from the receipt books at the sub-stations amounting to Kshs.880,560 could not be traced to the receipts schedule provided at the Headquarters. This could be an indication of parallel receipts books being used at sub-stations without the knowledge of Management leading to loss of revenue.

In the circumstances, the accuracy and completeness of revenue from the sale of goods and services amounting to Kshs.224,455,215 could not be confirmed.

### **3. General Expenses**

#### **3.1 Inappropriate Charging of Expenditure under General Expenses**

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects general expenses amounting to Kshs.114,953,583. However, the Centre inappropriately charged expenditure amounting to Kshs.24,746,496 relating to per diem paid to various members of staff for travelling and subsistence, to printing, catering services, training and ISO, marketing and advertisement, and bull recruitment and maintenance expenses.

In the circumstances, the accuracy and completeness of the general expenses amounting to Kshs.24,746,494 could not be confirmed.

#### **3.2 Unsupported Traveling and Subsistence Allowances**

The expenditure on general expenses amounting to Kshs.114,953,583 includes an amount of Kshs.15,201,169 incurred on travelling and subsistence allowances. However, an amount of Kshs.7,479,326 was paid to various employees and expensed directly by charging it to the travelling and subsistence allowances. Further, included in the amount is Kshs.381,100 which was not supported with payment vouchers or details of the payments.

In the circumstances, the completeness and accuracy of the expenditure of Kshs.7,479,326 could not be confirmed.

#### **3.3 Unsupported Kenya Climate Smart Agriculture Project Expenditure**

The expenditure on general expenses amounting to Kshs.114,953,583 further includes an amount of Kshs.6,245,073 relating to Kenya Climate Smart Agriculture Project. However, an amount of Kshs.2,213,900 was directly paid to thirty-six (36) members of staff for travelling and subsistence instead of issuing imprests. The amount was therefore treated as an expenditure before the members of staff could account for it through surrender vouchers and supporting expenditure documents.

In the circumstances, the completeness and accuracy of the expenditure of Kshs.2,213,900 could not be confirmed.

### **3.4 Unsupported Electricity and Water Expenses**

The expenditure on general expenses amounting to Kshs.114,953,583 also includes an amount of Kshs.25,018,172 incurred on electricity and water expenses. Review of expenditure records revealed that the Centre made three payments for electricity twice amounting to Kshs.769,374 vide various payment vouchers supported with similar invoice numbers. Further, the expenditure schedule had an expenditure of Kshs.116,628 which was not supported with details including invoice number, invoice date and payment date.

In the circumstances, the validity and accuracy of the expenditure on electricity and water amounting to Kshs.25,018,172 could not be confirmed.

### **3.5 Unexplained Double Payments**

The expenditure on general expenses amounting to Kshs.114,953,583 includes an amount of Kshs.1,620,521 on catering services. Review of relevant payment vouchers revealed that the Centre made two payments to an officer for purchase of a microwave amounting to Kshs.32,564. No explanation was provided for a double payment for the same item.

In the circumstances, the completeness and accuracy of the catering services expenditure of Kshs.1,620,521 could not be confirmed.

## **4. Unconfirmed Cash and Cash Equivalents**

As disclosed in Note 16 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.3,822,384 as at 30 June, 2021. However, one bank account with a balance of Kshs.3,178,626 had a cash book balance was 340,182 leading to an unreconciled variance of Kshs.2,838,444.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,822,384 could not be confirmed.

## **5. Long Outstanding Debts**

As disclosed in Note 18 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.53,428,561. Included in the balance is an amount of Kshs.50,024,489 due from Kenya Animal Genetic Resources Centre (KAGRC) Agents out of which debts totalling Kshs.22,540,981 had been outstanding for over 120 days as at 30 June, 2021.

Further, the amount of Kshs.50,024,489 due from KAGRC Agents includes a sum of Kshs.25,083,544 relating to agents who had exceeded their credit limits by Kshs.16,283,544 against refundable deposits of Kshs.8,800,000 as at 30 June, 2021.

In addition, the receivables from exchange transactions includes a balance of Kshs.8,233,345 relating to medical cover which had been erroneously stated instead of the correct amount was Kshs.8,250,000 according to the contract document provided for audit, resulting to a variance of Kshs.16,655.



In the circumstances, the accuracy, completeness and full recoverability of the receivables from exchange transactions balance of Kshs.53,428,561 could not be confirmed.

## **6. Property, Plant and Equipment**

### **6.1 Variances between the Statement of Financial Position and the Notes**

As disclosed in Note 20 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.324,940,608 as at 30 June, 2021. However, the corresponding Note 20 to the financial statements reflects a balance of Kshs.327,114,702 resulting in an unexplained and unreconciled variance of Kshs.2,174,094.

### **6.2 Lack of Ownership Documents for Land**

The property, plant and equipment balance of Kshs.324,940,608 excludes of seven (7) parcels of land measuring approximately 168.082 hectares of unknown value for which the Centre had not obtained ownership documents.

### **6.3 Incomplete Fixed Assets Register**

The asset management system report provided for audit lacked information on dates of acquisition, value of assets acquired, and depreciation amounts and was therefore not reliable.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.324,940,608 could not be confirmed.

## **7. Unconfirmed Biological Assets**

As disclosed in Note 21 to the financial statements, the statement of financial position reflects biological assets balance of Kshs.11,666,611 in respect to bulls owned by the Centre. However, the Management did not provide detailed biological assets register with key details such as carrying amount of each bull and date acquired. In addition, the Centre did not have a Biological Asset Policy to enable determination of the fair value of the biological assets as at 30 June, 2021.

Further, review of the financial records revealed that the Centre sold bulls for Kshs.250,000 during the year under review. However, the Management did not disclose the gain or loss arising on initial recognition of the biological assets and change in fair value less costs to sell the biological assets.

In the circumstances, fair presentation of the biological assets as well as accuracy and completeness of the balance of Kshs.11,666,611 as at 30 June, 2021 could not be confirmed.

## **8. Non-Disclosure of Intangible Assets**

The statement of financial position reflects total non-current assets balance of Kshs.535,959,296 as at 30 June, 2021. During the year under review, the Centre operated three different software systems namely; Pastel, Kenya Payroll Edition System

and Enterprise Resource Management System. However, these intangible assets including their costs, amortization amounts and net book values was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the non-current assets balance Kshs.535,959,296 could not be confirmed.

#### **9. Trade and Other Payables**

As disclosed in Note 22 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.153,899,224 while the corresponding Note 22 to the financial statements reflects a balance of Kshs.154,479,224, resulting to an unreconciled variance of Kshs.580,000.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.153,899,224 could not be confirmed.

#### **10. Unsupported Refundable Deposits from Customers**

The statement of financial position reflects refundable deposits from customers balance of Kshs.12,499,920. However, the total cash and cash equivalents for the Centre as at 30 June, 2021 was Kshs.3,822,384, an indication that the refundable deposits totalling Kshs.8,677,536 could not be accounted for. Further, the Centre did not maintain a separate bank account for the refundable deposits from the customers

In the circumstances, the accuracy and existence of the refundable deposits balance of Kshs.12,499,920 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

##### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.742,655,032 and Kshs.349,583,463 respectively, resulting in a revenue shortfall of Kshs. 393,071,569 or 54% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of

Kshs.774,100,000 and Kshs.442,485,065 respectively, resulting in an under-expenditure of Kshs. 331,614,935 or 43% of the budget.

The shortfall in revenue and the under-expenditure might have affected planned activities and thus negatively impacting on service delivery to the public.

## **2. Prior Year Issues**

In the audit report of the previous year, several issues were highlighted which have not yet been resolved and have not been disclosed in the financial statements contrary the reporting guidelines and templates prescribed by the Public Sector Accounting Standards Board for Public Sector Entities.

## **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 Conclusion on 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. Unauthorized Operation of Bank Accounts**

During the year under review, the Centre operated three (3) bank accounts without the authority to open and operate the bank accounts from The National Treasury. This is contrary to Section 28(1) of the Public Finance Management Act, 2012 which requires The National Treasury to authorize the opening, operating and closing of bank accounts and sub-accounts for all national government entities.

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

#### **2. Employee Costs**

The statement of financial performance reflects employees' costs amounting to Kshs.155,096,569. Review of related records provided including monthly payrolls, personal files and payment vouchers revealed the following anomalies;

##### **2.1 Non-Compliance with Ethnic Composition**

Review of the ethnic composition of employees of the Centre as at 30 June, 2021 revealed that out of one hundred and thirty-seven (137) members of staff comprising of permanent, temporary and staff on contract one ethnic group had a total of fifty-three (53) staff members or 39% of the total workforce. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which stipulates that no public establishment shall have more than one third of its staff from the same ethnic community.



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

## **2.2 Officers Acting for More than the Stipulated Period**

Review of the personnel records revealed that the entity appointed three staff members in acting capacity, two on 2 May, 2018 and one on 1 June, 2018 for a period of six months. However, as at the time of audit in January, 2022 which was more than thirty-six (36) months after the lapse of the six months stipulated in the appointment letter, the officers were still in acting capacity. This is contrary to Section C.14 (1) of the Human Resource Policies and Procedures for Public Service, 2016 which states that, an acting allowance will not be payable to an officer for more than six (6) months.

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

## **2.3 Non-Adherence to the One Third Basic Rule**

Review of the payroll for the year ended 30 June, 2021 revealed that twenty-four (24) members of staff earned net salaries less than one third of their basic pay contrary to Section 19(3) of Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

## **3. Irregular Procurement of Semen Straws**

Review of records revealed that a supplier who was awarded the tender to supply semen straws at a total cost of Kshs.7,010,165 was paid in full before delivering the goods. This is contrary to Section 147(1) of the Public Procurement and Asset Disposal Act, 2015 which permits payment of an advance payment of not more than 20% of the tender price under exceptional circumstances and upon submission by the tenderer to the procuring entity an advance payment security equivalent issued by a reputable bank or financial institution.

Further, relevant procurement documents including minutes of negotiation, signed contract between the Centre and the supplier, delivery note and goods received note were not provided for audit review. In addition, there was no evidence that the supplier had provided performance security prior to signing of the contract.

In the circumstances, validity and value for money on the amount of Kshs.7,010,165 incurred in the supply of semen straws could not be confirmed.

## **4. Irregular Procurement of Goods and Services**

As disclosed in Note 14 to the financial statements, the statement of financial performance reflects general expenses totalling Kshs.114,953,583. Included in the expenditure is a payment of Kshs.2,422,500 to a local supplier who was awarded a contract for printing of catalogues. However, the supplier was not in the list of pre-qualified suppliers. This was contrary to Section 106(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that the Accounting Officer of a procuring entity shall give the request to such persons as are registered by the procuring entity.

Further, payments amounting to Kshs.4,558,022 on procurement of various goods and services were not supported by delivery notes and goods received notes while there was no evidence to confirm that evaluation process was carried out. This was contrary to Section 46(4)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that an Evaluation Committee shall deal with the technical and financial aspects of a procurement as well as the negotiation of the process including evaluation of bids, proposals for prequalification, registration lists, expression of interest and any other roles assigned to it.

In addition, 9,305 doses of conventional and sexed semen of both Freshian and Ayrshire breeds were procured at a total cost of Kshs.4,764,500. However, the two firms that supplied these doses were directly identified through direct procurement. The Centre did not have contracts with these firms. In addition, there was no Ad Hoc Evaluation Committee to negotiate the price with these firms. This was contrary to Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

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

#### **5. Irregular Procurement of Motor Vehicle Insurances**

The general expenses amount of Kshs.114,953,583 further includes motor vehicle insurance expenses amounting to Kshs.697,550. However, the Centre used direct procurement for purchase of motor vehicles insurance. Further, there was no signed contract between the Centre and the firm providing the services. This was contrary to the conditions set in Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

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

#### **6. Irregular Payment of Sitting Allowances**

The general expenses of Kshs.114,953,583 also includes travelling and subsistence allowances of Kshs.15,201,169. However, sitting allowances amounting to Kshs.1,240,900 were paid to forty-eight (48) members of staff who were not Board Members. However, no policy or documentation from Salaries and Remuneration Commission (SRC) and State Corporations Advisory Committee authorizing payment of such allowances to the employees of the Centre was provided for audit review.

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

#### **7. Lack of a Contract on Fuel Supply**

In addition, the general expenses of Kshs.114,953,583 includes transport operating expenses of Kshs.6,398,278. Review of the supporting schedule provided for audit review revealed that a firm supplied fuel to the Centre without a contract agreement contrary to Section 135(1) the Public Procurement and Asset Disposal Act, 2015 which states that, the existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the Accounting Officer or an officer authorized in writing by the Accounting Officer of the procuring entity and the successful tenderer.



In the circumstances, Management was in breach of law.

#### **8. Non-Operational Liquid Nitrogen Plants**

Records reviewed indicated that the Centre received a donation of liquid nitrogen plants under East Africa Agricultural Productivity Program (EAAPP), a donor funded project, which were delivered and installed in Nyahururu and Eldoret in 2016. However, the plants were not officially handed over to the Centre as they had some mechanical problems and therefore have never functioned.

Although, Management has explained that the machines used old technology and thus their power consumption would be very high if installed, the Contracts or Memorandum of Understanding for the donations stating the terms and responsibility of each party were not provided for audit verification.

In the circumstances, value for money on the donated liquid nitrogen plants could not be confirmed.

#### **9. Lack of Lease Agreement with Makitsha Bull Dam in Malindi**

The Centre leased three bulls from a bull dam in Malindi at a cost of Kshs.250,000. However, the Management did not explain how the prices of the three bulls were determined as procurement records including quotations were not provided for audit verifications. Further, the Centre did not enter into a formal contract and therefore details of the lease could not be confirmed.

In the circumstances, the regularity of the expenditure of Kshs.250,000 on lease of bulls could not be confirmed.

#### **10. Unauthorized Over-Expenditure**

The statement of comparison of budget and actual amounts indicates that the Centre incurred over-expenditure amounting to Kshs.47,214,198 on several components. However, Management did not provide documentary evidence of the approval for the over-expenditure. This was contrary to Regulation 43(b) of the Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are properly safeguarded and are applied for purposes only which they were intended and appropriated by the National Assembly.

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

#### **11. Installation of Enterprise Resource Management (ERP)**

Review of the ICT environment revealed that the Centre entered into an agreement with a contractor for the supply, installation, testing and commissioning of an Enterprise Resource Planning (ERP) software covering E-Breeding, Finance, Human Resource Management (HRM) and Supply Chain Management on 19 July, 2013 at a contract price of Kshs.13,500,000 and further annual maintenance fee of Kshs.675,000. However, the



system has not been used in the Supply Chain Management and the Technical Services Departments while it was partially used in the Finance and the Registry Departments.

In the circumstances, the value for money on Kshs.13,500,000 used in the installation of the ERP system 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### 1. Under-Staffing

The staff establishment as at 30 June, 2021 indicated that the optimal staffing of the Centre was one hundred and seventy-one (171) employees comprising of various cadres. However, it was noted that the Centre had one hundred and thirty-seven (137) employees leading to a variance of 60 employees.

Further, none of the four (4) Directorates namely; Directorate of Strategy and Planning, Directorate of Extensional services, Directorate of Research and Technical services and Directorate of Corporate Services had a substantive Director. In addition, the Internal Audit Unit had only one staff member against the required two staff, which may make it too weak to effectively perform its functions.

#### 2. Poor Controls in Keeping of Accountable Documents

Accountable documents such as receipt books were not kept under lock and key or issued in accordance with the daily needs of the service or controlled through an accurate up-to-date record of their use by means of continuity control sheets.

Management was therefore in breach of Regulation 118 of the Public Finance Management (National Government) Regulations, 2015 that requires accountable documents to be kept under strict control at all times.

### **3. Weak IT Internal Control Systems**

The Centre did not have an offsite back up for the data and thus exposing it to risk in case of a disaster while there was no documented IT Security Policy. Further, there was no training program for staff in the ICT Department. In addition, the server room lacked necessary security features including smoke detectors, fire extinguishers, raised floor, security grills and the air conditioner did not function properly as it kept going on and off.

As a result, the effectiveness of the IT internal control systems could not be confirmed and the Centre operations are at risk of collapse in case of a disaster.

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

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

In preparing the financial statements, Management is responsible for assessing the Centre's ability to sustain 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 Centre or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.



## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability 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 Centre to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Centre 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 control that are identified during the audit.

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

  
 CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**27 July, 2022**

**KENYA ANIMAL GENETIC RESOURCES CENTRE**  
**Reports and Financial Statements**  
**For the year ended 30th June, 2021**

**XI. STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2021**

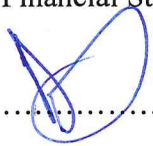
	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments – government grants	6	165,338,744	142,000,000
<b>Revenue from exchange transactions</b>			
Sale of goods and services	7	224,455,215	148,245,745
Other income	8	10,239,284	11,829,864
Rental income	9	973,195	854,550
<b>Total Revenue from exchange transactions</b>		<b>235,667,694</b>	<b>160,930,159</b>
<b>Total revenue</b>		<b>401,006,438</b>	<b>302,930,159</b>
<b>Expenses:</b>			
Employee costs	10	155,096,569	146,762,550
Remuneration of directors	11	7,440,783	9,238,246
Depreciation and amortization expense	12	35,699,516	41,437,659
Repairs and maintenance	13	23,799,147	14,653,787
General expenses	14	114,891,024	84,638,586
Contracted services	15	4,978,026	5,812,563
<b>Total expenses</b>		<b>341,905,064</b>	<b>302,636,357</b>
<b>Other gains/(losses)</b>			
<b>Surplus/(deficit) for the period</b>		<b>59,101,374</b>	<b>386,769</b>

The notes set out on pages 36 to 54 form an integral part of these Financial Statements

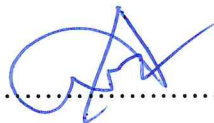
**XII. STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

		<b>2020-2021</b>	<b>2019-2020</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	3,822,384	8,019,923
Receivables from exchange transactions	18	53,428,561	57,366,195
Inventories	19	338,240,900	260,390,000
		<b>395,491,845</b>	<b>325,776,118</b>
<b>Non-current assets</b>			
Property, plant and equipment	20	324,940,608	351,624,233
Biological Assets	21	11,666,611	11,088,451
Work in progress	24	199,352,077	109,993,868
		<b>535,959,296</b>	<b>472,706,552</b>
<b>Total assets</b>		<b>931,451,141</b>	<b>798,482,670</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	22	153,899,224	79,769,566
Refundable deposits from customers	23	12,499,920	12,699,920
<b>Non-current liabilities</b>		<b>166,399,144</b>	<b>92,469,486</b>
<b>Total liabilities</b>		<b>166,399,144</b>	<b>92,469,486</b>
<b>Net assets</b>			
Capital Reserves		185,872,025	185,872,025
Revenue Reserves		560,334,032	501,232,658
Donations		18,908,500	18,908,500
		<b>765,11,557</b>	<b>706,013,183</b>
<b>Total net assets and liabilities</b>		<b>931,513,707</b>	<b>798,482,669</b>


The Financial Statements set out on pages 1 to 21 were signed on behalf of the Board of Directors by:



.....  
 Managing Director  
 Dr. David K. Kios HSC



.....  
 Senior Accountant  
 Silas W. Osundwa  
 ICPAK Member No: 9601



.....  
 Chairman of the Board  
 Professor James Wabacha

Date.....

Date. 27/04/22

Date 27/04/2022



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

	Attributable to the owners of the controlling entity				Total
	Reserves				
	Capital Reserve	Revenue Reserve	EAAPP Donations	KCSAP	
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Balance as at 1 July 2019</b>	185,872,025	500,845,889	18,908,500		705,626,414
Surplus for the period	-	386,769	-		386,769
Transfers to/from accumulated surplus	-	-	-		-
Transfer of excess depreciation on revaluation	-	-	-		-
Grants received during the year					-
Revaluation gain			-		-
<b>Balance as at 30 June 2020</b>	<b>185,872,025</b>	<b>501,232,658</b>	<b>18,908,500</b>		<b>706,013,183</b>
Balance as at 1 July 2020	185,872,025	501,232,658	18,908,500		706,013,183
Surplus for the period	-	60,632,908	-		60,632,908
Transfer of excess depreciation on revaluation	-	-	-		-
Grants received during the year	-	-	-	-	
Revaluation gain	-	-	-	-	
<b>Balance as at 30 June 2021</b>	<b>185,872,025</b>	<b>561,865,566</b>	<b>18,908,500</b>	<b>-</b>	<b>766,646,091</b>

**KENYA ANIMAL GENETIC RESOURCES CENTRE**  
**Reports and Financial Statements**  
**For the year ended 30th June, 2021**

**XIV. STATEMENT OF CASH FLOWS**  
**AS AT 30 JUNE 2021**

		30 <sup>th</sup> June 2021	30 <sup>th</sup> June 2020
		Kshs	Kshs
<b>Cash flows from operating activities</b>		59,101,374	386,769
<b>Adjustments:</b>			
Annual Depreciation	20	35,699,516	41,437,659
<b>Surplus Before working capital changes</b>		<b>94,800,890</b>	<b>41,824,428</b>
			-
<b>Changes in working capital</b>			
(Increase)/Decrease in inventory/stocks	19	(77,850,900)	23,977,900
(Increase)/Decrease in Receivables	18	3,937,634	(12,744,966)
(Increase)/Decrease in Work In Progress	24	(89,358,209)	(109,993,868)
Increase/ (Decrease) in Payables	22	73,929,658	(61,329,682)
<b>Net Cash flows from Operating activities</b>		<b>5,459,072</b>	<b>(118,266,188)</b>
<b>Cash flows from Investing activities</b>			
Acquisition of Property Plant and Equipment	20	(9,015,891)	(9,346,961)
Net Acquisition of biological asset	21	(578,160)	(594,950)
<b>Net cash flows from investing activities</b>		<b>(9,594,051)</b>	<b>(9,941,911)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,134,979)</b>	<b>(128,208,099)</b>
Cash and cash equivalents at 1 July		<b>8,019,923</b>	<b>136,228,021</b>
<b>Cash and cash equivalents at 30 June</b>	<b>16</b>	<b>3,884,944</b>	<b>8,019,921</b>

Kenya Animal Genetic Resources Centre  
Reports and Financial Statements  
For the year ended 30th June, 2021

IV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2020-2021	Kshs	2019-2020	Kshs
<b>Revenue</b>										
Government grants and subsidies	257,000,000		245,000,000		502,000,000		165,338,744		(336,661,256)	
Sale of Goods and services	212,150,000		850,000		213,000,000		164,693,496		(48,306,504)	
Other Incomes	9,000,000		(850,000)		8,150,000		10,239,284		2,089,284	
Rental Income	850,000				850,000		973,195		123,195	
			18,655,032		18,655,032					
<b>Total income</b>	<b>479,000,000</b>		<b>263,655,032</b>		<b>742,655,032</b>		<b>349,583,463</b>		<b>(382,755,281)</b>	
			-							
<b>Expenses</b>										
Compensation to Employees	146,288,000		(88,000)		146,200,000		155,096,569		(8,896,569)	
Remuneration of Directors	10,800,000				10,800,000		7,440,783		3,594,217	
Repairs and Maintenance	3,000,000		7,400,000		10,400,000		23,799,147		(13,399,147)	
Depreciation and Amortization	50,100,000				50,100,000		35,699,516		(33,525,423)	
Contracted Services	4,200,000		1,500,000		5,700,000		4,978,026		721,974.38	
<b>General Expenses</b>										
Travelling and Subsistence	12,500,000		(3,500,000)		9,000,000		15,201,169		(6,201,169)	
Telephone and Postage	4,500,000		(1,800,000)		2,700,000		2,672,830		27,170	
Electricity and Water	30,300,000				30,300,000		24,955,613		5,063,110	
Printing Stationery and Computer Expenses	4,800,000		1,800,000		6,600,000		2,805,513		3,794,487	
Training and ISO	1,500,000				1,500,000		2,392,391		(892,391)	
Uniforms and Protective clothing	1,500,000				1,500,000		664,711		835,289	
Bank Charges	800,000				800,000		866,203		(66,203)	
Provision of Doubtful Debts			-		-		(465,189)		465,189	



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subscriptions	200,000		200,000		151,668	48,332
Catering Services	1,000,000		1,000,000		1,604,23	(620,521)
Motor Vehicle Insurance	2,000,000		2,000,000		1,061,179	1,302,450
Transport Operating Expenses	7,500,000		7,500,000		6,398,278	738,093
Bull Recruitment and Maintenance	8,300,000		8,300,000		8,783,559	(483,559)
Marketing and Advertisement	17,000,000		17,000,000		27,975,610	(10,975,610)
Rehabilitation of Motor Vehicles	3,000,000		3,000,000		2,735,095	264,905
Miscellaneous and other Charges	18,652,000	(5,312,000)	13,340,000		10,843,082	(5,827,082)
Kenya Climate Smart Agriculture Project					6,245,073	
Audit fees	1,160,000		1,160,000		580,000	580,000
<b>Sub total</b>	<b>329,100,000</b>		<b>329,100,000</b>		<b>342,485,065</b>	<b>(63,452,457.62)</b>
Capital Expenditure	200,000,000		445,000,000		100,000,000	(345,000,000)
<b>Total Expenditure</b>	<b>529,100,000</b>		<b>774,100,000</b>		<b>442,485,065</b>	<b>(408,452,457.62)</b>
<b>Surplus for the Period</b>	<b>(50,100,000)</b>	<b>263,655,032</b>	<b>(31,444,968)</b>		<b>(92,901,602)</b>	<b>25,697,176.62</b>

**Budget notes**

- i) Development grant was reduced by Ksh 345 million
- ii) The drop in sales is due to increasing competition, ecological changes and continued use bulls by farmers
- iii) Compensation to employees is because of salary adjustments in the financial year.
- iv) Miscellaneous expenses includes expenses for Liquid Nitrogen Containers and A.I equipment.
- v) Marketing and advertising includes liquid nitrogen
- vi) Repairs & Maintenance includes: a contract of Kshs. 6 million for maintenance of liquid nitrogen plants and repairs of buildings in the Centre

## **XII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

KAGRC is established by and derives its authority and accountability from Gazette Notice No.110 of 5<sup>th</sup> Sept 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Centre's principal activity is the production and sale of bull semen.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The 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, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the KAGRC's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KAGRC.

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

### **3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

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<b>Standard</b>	<b>Impact</b>
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2020</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The entity did not adopt this standard



NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2022:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></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</p>

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Standard	Effective date and impact:
	general-purpose financial reports assess: (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.

**iii. Early adoption of standards**

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a). Revenue recognition**

**i). Revenue from non-exchange transactions**

**Transfers from other government entities**

The Centre receives both recurrent and development grants every year finance various activities and operations. Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

**ii) Revenue from exchange transactions**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. The Centre revenues mainly come from sale of deep-frozen semen and Liquid Nitrogen which is used to preserve the semen.

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **b) Budget information**

The original budget for FY 2019-2020 was approved by the board in July 2019. No Subsequent revisions or additional appropriations were made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section six (6) of these financial statements.

### **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.

The Centre makes estimates in determining depreciation rates of property plant and equipment. The rates used are set out in the accounting policy for depreciation. Depreciation is calculated on reducing balance with a full year's charge on acquisition and none on disposal. The annual depreciation rates used are:

Buildings	2%
Farm Machinery	12.5%
Computers	33%
Plant and Equipment	12.5%
Motor Vehicles	25%
Loose Tools	33%



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

### **f) Nature and purpose of reserves**

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

### **g) Changes in accounting policies and estimates**

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

### **h) Employee benefits**

#### **Retirement benefit plans**

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

### **i) Related parties**

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

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised staff which were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

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

**l) Reserves**

The Centre creates and maintains reserves in terms of capital reserves, revenue reserves and donations received from development partners in form of asset donations.

**m) Biological Assets**

Estimates and judgements are continually evaluated on the basis of historical experience and other factors including future events that are believed to be reasonable under the circumstances. The carrying value of biological assets disclosed in the financial statements is at cost.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

**Estimates and assumptions**

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

**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, 2020.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. a) Transfers from other governments

Description	2020-2021	2019-2020
	KShs	KShs
<b>Unconditional grants</b>		
GOK Recurrent Grant	57,000,000	7,000,000
GOK Development Grant	100,000,000	135,000,000
Kenya Climate Smart Agric Project	8,338,744	
<b>Conditional grants</b>		
<b>Total government grants and subsidies</b>	<b>165,338,744</b>	<b>142,000,000</b>

6b) Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2019-2020
			KShs	KShs	KShs
Ministry of Agriculture Livestock and Fisheries	157,000,000	-	157,000,000	157,000,000	142,000,000
Kenya Climate Smart Project	8,338,744		8,338,744	8,338,744	
<b>Total</b>	<b>165,338,744</b>	<b>-</b>	<b>165,338,744</b>	<b>165,338,744</b>	<b>142,000,000</b>

7. Sale of goods

Description	2020-2021	2019-2020
	KShs	KShs
<b>Sale of goods</b>		
Sale of Deep-Frozen Semen	106,715,396	128,625,290
Sale of Liquid Nitrogen	57,978,100	54,802,155
Other- Production Income	59,761,719	(35,181,700)
<b>Total revenue from the sale of goods</b>	<b>224,455,215</b>	<b>148,245,744</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other income

Description	2020-2021	2019-2020
	KShs	KShs
Liquid Nitrogen Containers	6,562,877	7,258,500
Artificial Insemination Equipment	2,150,200	2,964,045
Miscellaneous Income eg disposal of bulls, fees	1,526,207	1,607,319
Rental Income	-	-
<b>Total other income</b>	<b>10,239,284</b>	<b>11,829,864</b>

9. Rental Income

Rental Income	Kshs	Kshs
House Rent	973,195	854,550
<b>Total</b>	<b>973,195</b>	<b>854,550</b>

10. Employee costs

	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	127,229,313	117,513,632
Employee related costs – contributions to medical aids	16,319,879	15,215,556
Employee related costs – contributions to pensions and gratuity	11,309,837	14,033,362
Work Injury Benefit	237,540	-
<b>Employee costs</b>	<b>155,096,569</b>	<b>146,762,550</b>

11. Remuneration of directors

Description	2020-2021	2019-2020
	KShs	KShs
Chairman's Honoraria	896,000	960,000
Directors emoluments	6,544,783	8,278,246
<b>Total director Emoluments</b>	<b>7,440,783</b>	<b>9,238,246</b>

12. Depreciation and amortization expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	35,699,516	41,437,659
<b>Total depreciation and amortization</b>	<b>35,699,516</b>	<b>41,437,659</b>

**13. Repairs and maintenance**

Description	2020-2021	2019-2020
	KShs	KShs
Equipment and machinery	23,799,147	14,653,787
<b>Total repairs and maintenance</b>	<b>23,799,147</b>	<b>14,653,787</b>

**14. General expenses**

Description	2020-2021	2019-2020
	KShs	KShs
Travelling and Subsistence	15,201,169	12,899,739
Telephone and Postage	2,672,830	2,486,062
Electricity and Water	24,955,613	19,952,641
Printing, Stationery and Computer Expenses	2,805,513	4,113,142
Training and ISO	2,392,391	1,712,725
Uniforms and Protective Clothing	664,711	1,252,982
Bank Charges	866,203	434,077
Provision for Bad Debts	(465,189)	555,104
Subscriptions	151,668	69,780
Catering Services	1,620,521	1,517,868
Motor Vehicle Insurance	1,061,179	1,908,286
Transport Operating Expense	6,398,278	5,051,466
Motor Vehicle Servicing	2,735,095	2,338,681
Miscellaneous & Other Charges	10,843,082	10,952,677
Audit Fees	580,000	580,000
Bull Recruitment and Maintenance	8,783,559	11,294,812
Marketing and Advertisement	27,975,610	7,518,544
Kenya Climate Smart Project	6,245,073	0
<b>Total general expenses</b>	<b>114,891,024</b>	<b>84,638,586</b>

**15. Contracted Services**

Description	2020-2021	2019-2020
	KShs	KShs
Contracted Services	4,978,026	5,812,563
<b>Total Contracted Services</b>	<b>4,978,026</b>	<b>5,812,563</b>

**16. Cash and cash equivalents**

Description	2020-2021	2019-2020
	KShs	KShs
Current account	3,365,312	7,496,694
Cash in Hand	457,072	523,228
<b>Total cash and cash equivalents</b>	<b>3,822,384</b>	<b>8,019,922</b>



17. Detailed analysis of the cash and cash equivalents

		2020-2021	2019-2020
Financial institution	Account number	Kshs.	Kshs.
<b>a) Current account</b>			
Barclays Bank of Kenya	0731056080	76,160	4,994,384
Barclays Bank of Kenya	0731082901	3,178,626	2,250,053
Barclays Bank of Kenya	0731082928	110,526	252,258
<b>Sub- total</b>		<b>3,365,312</b>	<b>7,496,695</b>
<b>b) Others (specify)</b>			
Cash in hand		77,332	523,228
Mpesa		379,740	
<b>Sub- total</b>		<b>457,072</b>	<b>523,228</b>
<b>Grand total</b>		<b>3,822,384</b>	<b>8,019,922</b>

18. Receivables from exchange transactions

Description	2020-2021	2019-2020
	KShs	KShs
<b>Current receivables</b>		
KAGRC Agents	50,024,489	54,676,375
Provision for doubtful debts@10%	5,002,449	5,467,638
<b>Net Debts</b>	<b>45,022,040</b>	<b>49,208,738</b>
Staff Debtors	173,176	176,927
Other exchange debtors-medical cover	8,233,345	7,980,531
<b>Total current receivables</b>	<b>53,428,561</b>	<b>57,366,195</b>
<b>Non-current receivables</b>		
<b>Total non-current receivables</b>		
<b>Total receivables</b>	<b>53,428,561</b>	<b>57,366,195</b>

19. Inventories

Description	2020-2021	2019-2020
	KShs	KShs
Semen Stocks	338,240,900	260,390,000
<b>Total inventories at the lower of cost and net realizable value</b>	<b>338,240,900</b>	<b>260,390,000</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Property, Plant and Equipment

Cost	Land and Buildings		Motor vehicles		Farm Machinery		Computers		Loose Tools		Plant and Equipment		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 <sup>st</sup> July 2019	128,071,633	66,789,427	12,888,353	42,382,564	1,241,416	467,614,903	718,988,296							
Additions	4,545,209	-	-	1,015,104	403,200	3,383,448	9,346,961							
Disposals														
Transfers/adjustments														
At 30 <sup>th</sup> June 2020	132,616,842	66,789,427	12,888,353	43,397,668	1,644,616	470,998,351	728,335,257							
Additions	4,579,370			1,178,339	184,272	3,073,910	9,015,891							
Disposals														
Transfer/adjustments														
At 30 <sup>th</sup> June 2021	137,196,212	66,789,427	12,888,353	44,576,007	1,828,888	474,072,261	737,351,148							
Depreciation and impairment														
At 1 July 2020	14,041,747	44,704,209	5,235,984	37,110,910	1,000,988	233,179,517	335,273,365							
Depreciation	2,371,502	5,521,305	1,530,474	2,074,630	212,394	29,727,354	41,437,659							
Impairment														
At 30 June 2021	16,413,249	50,225,514	6,766,458	39,185,540	1,213,392	262,906,871	376,711,024							
Depreciation	241,566	4,140,978	765,237	1,778,854	203,114	26,395,674	33,525,423							
Disposals														
Impairment														
Transfer/adjustment														
At 30 <sup>th</sup> June 2020	16,654,815	54,366,492	7,531,695	40,964,394	1,416,506	289,302,545	410,236,447							
Net book values														
At 30 <sup>th</sup> June 2020	116,203,593	16,563,913	6,121,895	4,212,128	431,224	208,091,480	351,624,233							
At 30 <sup>th</sup> June 2021	120,541,397	12,422,935	5,356,658	3,611,613	412,382	184,769,716	327,114,702							





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**21. Investment In Biological Assets**

Description	2020-2021	2019-2020
	KShs	KShs
<b>At beginning of the year</b>	11,088,451	10,493,501
Additions	828,160	754,950
Disposal	(250,000)	(160,000)
<b>At end of the year</b>	<b>11,666,611</b>	<b>11,088,451</b>

**22. Trade and other payables from exchange transactions**

Description	2020-2021	2019-2020
	KShs	KShs
Trade payables	102,207,098	27,032,412
Payments received in advance	42,680,921	47,954,146
Employee Gratuity	7,851,205	3,623,008
Third-party payments	1,160,000	1,160,000
<b>Total trade and other payables</b>	<b>153,899,224</b>	<b>79,769,566</b>

**23. Refundable deposits from customers**

Description	2020-2021	2019-2020
	KShs	KShs
Customer deposits balance brought forward	12,699,920	11,699,920
Recruitment during the year	200,000	1,000,000
Refund of Deposits	(400,000)	
<b>Total deposits</b>	<b>12,499,920</b>	<b>12,699,920</b>

**24. Work In Progress**

Description	2020-2021	2019 -2020
	KShs	KShs
Work in progress	199,352,077	109,993,868
<b>Total Work In Progress</b>	<b>199,352,077</b>	<b>109,993,868</b>

**25. Related Party Balances**

**a) Nature of related party relationships**

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

The entity is related to

- i) The National Government;

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- ii) Ministry of Agriculture Livestock and Fisheries
- iii) The National Treasury;
- iv) The general public;
- v) Livestock Producers;
- vi) Key management;
- vii) Board of directors;

b)

<b>Transactions With Related Parties</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Transactions with related parties</b>		
<b>a) Grants /Transfers from the Government</b>		
Grants from National Govt	165,338,744	142,000,000
<b>Total</b>	<b>165,338,744</b>	<b>142,000,000</b>

**c) Key management remuneration**

	<b>2020/2021</b>	<b>2019/2020</b>
Directors	7,205,783	9,238,246
Key management compensation	46,528,970	44,028,765
	<b>53,734,753</b>	<b>53,267,011</b>
	=====	=====

**26. Financial Risk Management**

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

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

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, as well as trade and other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amounts presented in the statement of

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financial position are net of general provisions for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

**(ii) Liquidity risk management**

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

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. For the case of the centre, the exposure is minimal since the purchases are very few.



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**b) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The centre does not have such risk at the moment since it does not hold any deposits in fixed deposit accounts.

**27. Currency**

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

**XIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
KAGRC/20/2 018-2019/(2)	Property Plant and Equipment disclosed under note 18 amounting to Kshs. 383,714,932 as at 30 <sup>th</sup> June 2019 excluded 7 parcels of land measuring 168.082 hectares which have not been valued and the Centre does	The parcels of land have not been valued because the Centre does not have the land title deeds. Management is still following up and several requests have been made to the parent ministry to transfer the land but the matter has not been settled.	MD	Unresolved	30 <sup>th</sup> June 2022

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	not have ownership documents.				

**Guidance Notes:**

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



Dr. David K. Kios, HSC  
Managing Director



Professor James Wabacha  
Chairman of the Board of Directors

Date.....

Date..... 27/04/2022

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**Appendix 2: INTER-ENTITY TRANSFERS**

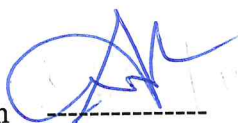
ENTITY NAME:		Kenya Animal Genetic Resources Centre		
Break down of Transfers from the State Department of Agricultural Research				
FY 19/20				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		25.08.2020	4,750,000	2020/2021
		10.09.2020	4,750,000	2020/2021
		06.10.2020	4,750,000	2020/2021
		12.11.2020	14,250,000	2020/2021
		19.05.2021	14,250,000	2020/2021
		08.02.2021	14,250,000	2020/2021
		<b>Total</b>	<b>57,000,000</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		09.09.2020	100,000,000	2020/2021
		<b>Total</b>	<b>100,000,000</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Senior Accountant  
KAGRC

Head of Accounting Unit  
Ministry

Sign



Sign

