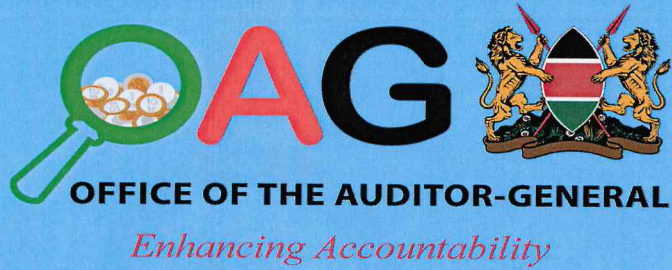


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA ANIMAL GENETIC
RESOURCES CENTRE**

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

KENYA ANIMAL GENETIC RESOURCES CENTRE
Reports and Financial Statements
For the year ended 30th June, 2022



KENYA ANIMAL GENETIC RESOURCES CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
30TH JUNE, 2022

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

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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

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3. Engage in strategic semen production
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 30th June 2020 and who had direct fiduciary responsibility were:

Name:		Designation:
Dr. David Kios	-	Managing Director
Dr. Paul Egesa	-	Director Research & Technical Services
CPA Faith Aciita	-	Director, Corporate Services
Dr. Roselyne Wambugu	-	Director, Extension Services
Dr. James Mbuchu	-	Manager, Germplasm Production and Quality Assurance
Ms. Lucia Koskei	-	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 at least 3 non-executive 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, Strategy & Planning Committee

The Committee comprises of at least 3 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) Set and monitor performance contracts for the Centre

(c) Research & 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,

d) Human Resources, Administration and Marketing 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 Committee deals with:

- a) Matters relating to appointment, remuneration and resignation or dismissal of staff.
- b) Matters relating to sales and marketing of the Centre's products and services

(e) Entity Headquarters

Kapenguria Road
Off Lower Kabete Road
P.O Box 23070
Lower Kabete
Nairobi

(f) Entity Contacts

P.O Box 23070
Lower Kabete
Nairobi

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

0728899767/0737540670

E-mail: info@kagrc.go.ke

Website: www.kagrc.go.ke

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(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 - 00100
GPO Nairobi, Kenya

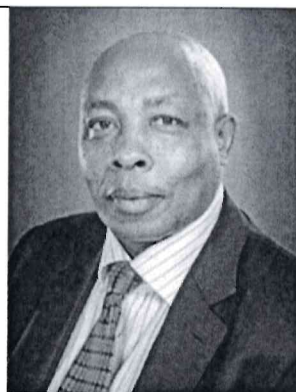
(i) Principal Legal Advisor

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

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II. BOARD MEMBERS



**Prof. James Kihanga
Wabacha, PhD
Board Chairman**

Prof. Wabacha holds a Ph.D. and a Bachelor of Veterinary Medicine degree from the University of Nairobi, Kenya, and a Master of Science degree from Free University of Brussels.

He is a veterinarian by profession with vast experience in research, teaching, and public administration and management. He has vast knowledge, skills and experience in design, management and coordination of large livestock development projects and programmes in Africa Union Member States;

He has both local and international experience in livestock development having worked in Kenya for many years in livestock development and at African Union Interafrican Bureau for Animal Resources (AU-IBAR), a technical office of the African Union Commission in charge of livestock development in Africa for over 12 years;

From 2009 to date James has served as Technical Livestock Advisor at African Union Interafrican Bureau for Animal Resources (AU-IBAR) with a leave of absence from University of Nairobi.

He served as Chairman, Board of Directors of the Kenya Veterinary Vaccines Production Institute (KEVEVAPI) from 2015 to September 2021 and previously served as the Chairman of the Department of Clinical Studies, Faculty of Veterinary Medicine, University of Nairobi, for six years;

He has served in many committees and Boards at the University of Nairobi and has served as a Board member in several secondary schools.



**Ms. Ruth Nashipae
Muigai**

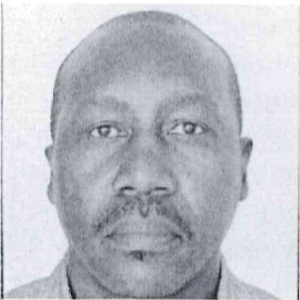


Ruth is an independent Director and a Lawyer by profession. She holds an LLB(Hons) Bachelor of Laws, Catholic University of Easter Africa, LLM (Merit)(Human Rights Law) London, Commonwealth Alumna She is a lecturer in Law (CUEA), and a consultant on Project development, Monitoring, Evaluation, Assessment 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.



Mr. John Gethi

John is an independent director of the Board and chairs the Human Resource and Administration Sales & Marketing 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.





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 <p>Mr. George A. O. Oballa</p>	<p>Mr. Oballa is an independent and non-executive director of the board chairing the Finance, Strategy and Planning Committee of the board. He holds a Bachelor of Commerce Degree in Business Administration/Marketing Option (Second Class Honour – Upper Divisions) from the University of Nairobi. George has a wealth of experience, having worked in various fields but mainly in the petroleum sector at Caltex Oil (K) Ltd, Agip Kenya Ltd, Shell Kenya Ltd, Oryx Oil Co Ltd (Tz). He is currently the lead consultant for Seydou Resources Ltd.</p> <p>George joined the board in June 2022</p>
 <p>Hon. Bishop Petkay Shen M’Nkiria Miriti DSM, EBS</p>	<p>Hon. Petkay Miriti is an independent and non-executive director of the board chairing the Audit Committee of the Board. Hon Miriti holds a Masters Degree in Psychology (Counselling) from Egerton University and a Bachelor of Psychology Degree from the University of Nairobi. He is a former Director of Intelligence at the National Security Intelligence Service and a former Assistant Minister of Trade and Member of Parliament for Nithi Constituency.</p> <p>Hon. Petkay joined the board in June 2022</p>
 <p>Mr. Martin Ngomat</p>	<p>Mr. Martin Ngomat, an independent Director, is the Chair of the Board Technical Committ</p> <p>ee and a member of the Finance, Human Resource & Administration Committee. He has a Master’s degree in Agricultural & 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>Mr. Ngomat retired from the board in December 2021.</p>

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	<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. Zena retired from the board in December 2021.</p>
 <p>Dr. Joseph Mureithi, PhD</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.</p>
 <p>Mr. Robert W. Gatonga</p>	<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>Dr. Margaret Makelo,</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</p>

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PhD	(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>Dr. Obadiah N. Njagi, PhD, OGW</p>	<p>Born on the 12th 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 immune-parasitology from the University of Nairobi and Technical University-Dresden, Germany. He has authored several publications in veterinary science and has undergone several capacity developments, 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 Organization for Animal Health (OIE) and the Chairman, Veterinary Medicines Directorate Council (VMDC)</p> <p>He hails from Embu County and is a father of one daughter.</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

Name of the Committee	Members
Finance, Strategy and Planning	<ol style="list-style-type: none">1. Mr. George Oballa - Chairperson2. Mr. Robert Gatonga3. Dr. Margaret Makello4. Dr. Obadiah Njagi
Human Resource, Administration & Extension Committee	<ol style="list-style-type: none">1. Ms. Ruth Muigai - Chairperson2. Mr. John Gethi3. Mr. Petkay Miriti4. Mr. George Oballa
Research & Technical Committee	<ol style="list-style-type: none">1. Mr. John Gethi - Chairperson2. Dr. Joseph Mureithi3. Dr. Obadiah Njagi4. Dr. Margaret Makello
Audit Committee	<ol style="list-style-type: none">1. Mr. Petkay Miriti - Chairperson2. Mr. Robert Gatonga3. Ms. Ruth Muigai4. Dr. Joseph Mureithi

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III. MANAGEMENT TEAM

(a) Key Management

 <p>Dr. David K. Kios, PhD, HSC BVM (UoN), MSc.(UP), PhD (UoN)</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>Dr. Roseline Wambugu, OGW BVM (UoN), MVB (UoN)</p>	<p>Dr. Wambugu is the Director Research & Technical Services. Her duties involve coordinating the design and management of current and upcoming breeding technologies, semen production and quality control</p>
 <p>Dr. Paul Egesa BVM (UoN)</p>	<p>Dr. Egesa is the Director, Extension Services. He is responsible for marketing KAGRC products & services, corporate communication & branding and extension services.</p>

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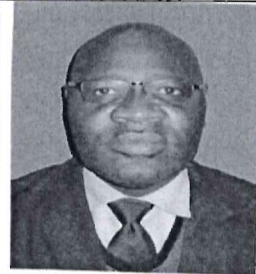
Ms. Faith K. Aciita
 CPA(K), BCom (Fin) (SPU), MBA
 Strategic Management (JKUAT)

Ms. Aciita is the Director, Corporate Services. She's responsible for advising management on policies and strategies that relate to Finance & Accounts, human resource & administration to ensure optimal utilization and management of organisation's resources.



Dr. James Mbuchu
 BVM (UoN), MSC

Dr. Mbuchu is the Centre Manager, Dairy Goat AI Centre in Kirinyaga. He is in charge of the day to day management of the Centre.






CPA Michael Oduor Wanyama
 B.Com, CPA(K), CISA

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.

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 <p>Mrs. Lucia Koskey Bed, MBA (Human Resource) (UON)</p>	<p>Ms. Koskey 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 & Supply Management, MSc. Procurement & Logistics. (JKUAT)</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) (KCA)</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>

IV CHAIRMAN'S STATEMENT

During the FY 2021/ 2022, 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 943,842 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 Ndongba which is being financed fully through GoK grants was completed awaiting commissioning before Semen processing can begin. This project signifies our commitment to diversity in provision of high quality genetic material for social economic development. The project 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 Ndongba, 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.....

Prof. James K. Wabacha

Board Chairman.

Date.....24/03/2023

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Kenya Animal Genetic Resources Centre (KAGRC) set out in its FY 2021/2022 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. The Centre focused on four objectives as stipulated in the strategic plan 2018/2022 namely;

Increase capacity for germplasm production and preservation,

KAGRC set out to put up modern laboratories, equip them, rehabilitate bull housing and calf rearing unit, recruit breeding bulls, undertake genomic evaluation amongst others. For the activities planned for FY 2021/2022, KAGRC managed to process 943,842 straws of bull semen against a target of 1.1 Million. 6 bulls were genetically evaluated against a target of 6, ten (10) bulls recruited for semen production against a target of twelve (12), genetic diversity was maintained, 269,044 litres of Liquid Nitrogen produced and distributed for semen preservation and a new goat A.I. Centre and was constructed 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 372,652 straws to 444,436 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. 3 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.

Expand market share of KAGRC products and strengthen financial base,

KAGRC was able to consolidate its market share by selling 479,776 straws of bull semen for use by inseminators compared to 523,776 straws the previous. The drop in sales was attributed to drought in some parts of the county and the negative effects of Covid 19. In addition, KAGRC lobbied and attracted funding from the government to a tune of 150 million to complete Phase 1 of the project that entailed construction of the Goat A.I. in Ndomba and purchase farm machinery and equip the labs.

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An additional Ksh200 million grant was received from the government for putting up an embryo transfer (ET) laboratory and semen sexing facility. The project was rolled out and contract signed. The impact of the project will be felt by farmers in the subsequent financial year once the calves are born.

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. Staff housing as per OIE regulations.
7. Construction of an embryo transfer laboratory.
8. Increase capacity for Cryo – preservation and train staff in conservation.

It is hoped that KAGRC will achieve all the above in line with its 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, PhD, HSC
Managing Director

Date.....

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**VI STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2021/22**

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
2021/2022**

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
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	36 breeding bucks recruited and maintained. 10 breeding bulls recruited and 115 maintained.
		Genomic Evaluation Report	Undertake genomics evaluation to establish animal breeding values	8 Breeding values of KAGRC bulls established.
	Goat AI centre	Enhance germplasm diversity to include other species e.g. goat	Goat AI Centre under construction at AHITI Ndomba.	
	ii). Enhance germplasm preservation and	No of plants installed and commissioned	Procure and install 4 liquid nitrogen plants	184,312 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	6 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 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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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				environment and communication
		Various farm machinery purchased	Purchase of vehicles & farm machinery	Vehicles and farm machinery procured

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 and 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's operations are guided by a service charter that is reviewed from time to time in line with changing dynamics, with input from relevant agencies. All board members undertake an evaluation at the end of every financial year with guidance from the State Corporations Advisory Commission (SCAC). 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. Newly appointed board members always undergo an induction. In 2021/22 FY, members of the Audit Committee attended a five-day training organized by the Institute of Certified Public Accountants of Kenya (ICPAK) that helped build capacity within the board. The board's remuneration is as guided by the SCAC. The board maintains a conflict of interest register that is always filled by the members, with no conflict declared in FY 2021/22.

In the year under review, the Board bid farewell to the outgoing chairman Dr. Geoffrey Kibui Kamau and welcomed Prof. James Kihanga Wabacha as the new chair. We wish Dr Kamau all the best in his new assignment. During the year under review, Mr. Martin Ngomat and Ms Zena Challa retired from the board as non-executive directors after three years of service and were replaced by Mr. Petkay Miriti and Mr. George Oballa in the same capacity.

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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.

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.

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 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

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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, internally generated revenue amounted to 149 million against a target of Ksh 230 million. The development grant reduced from Kshs 100 million to Ksh 550 million to accommodate the Embryo Transfer Centre construction. Actual recurrent grant increased from Ksh 57 million to Kshs 72 million and a grant of Kshs 4,632,694 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 and establishment of the Embryo Transfer Centre. The centre is currently undertaking dry runs for the goat semen collection. The preliminary stages in the establishment of the ET Centre have commenced. These are our flagship projects in the current development plans.

Total recurrent expenditure in the same period increased from Kshs 341 million to Ksh 429 million mainly due to an increase in the wage bill, administration expenses, 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 479,776 and 184,312 respectively. These targets were not met due to a number of challenges key among them being adverse weather conditions in high and medium potential areas, semen hawking and price competition from imported semen. 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 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 two proposals to mobilize external resources from the Cooperative Alliance of Kenya and the Kenya Livestock Commercialization Project (KeLCoP). If successful, the projects will be implemented in the next financial year once the resources are made available.

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.

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. During the year under review, the Centre acquired the ISO 9001:2008 Certification, which is a great milestone. It's the board and management's commitment to continuously improve in its processes.

IX. 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 advise 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 its roofs from asbestos to the ordinary type. It is a 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. In due course, the instruments will be reviewed to conform with the changing work dynamics. There is also continuous engagement with National Council for Persons With Disability to ensure PWDs are fully accommodated within the Centre.

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.

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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.

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 the year under review, the centre, in partnership with other organizations helped drill a borehole in Meru County and also put up a class room in Kwale County. Going forward, the centre will continue participating in such more activities that help transform lives in various parts in the country. The Centre also gives priority to locals whenever employment opportunities arise, based on merit.

Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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 30th, 2022 are set out on pages 30 to 35

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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 30th June 2022 were audited by the Office of the Auditor General.

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X. 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, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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, 2022, 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 **18th September 2022** and signed on its behalf by:



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

Date.....*24/3/2023*

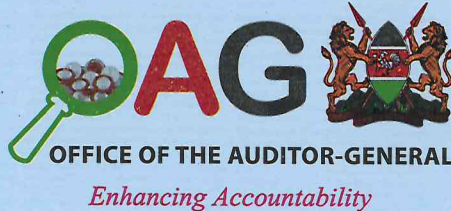


.....
Prof. James K. Wabacha
Chairman, Board of Directors

Date.....*24/03/2023*

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ANIMAL GENETIC RESOURCES CENTRE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Animal Genetic Resources Centre set out on pages 30 to 52, which comprise of the statement of financial position as at 30 June, 2022, 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 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified of Opinion

1. Inaccuracies in the Financial Statements

Review of financial statements presented for audit revealed the following inaccuracies and misstatements:

- i. The opening balances for several account items were not agreement with the prior year audited financial statements as shown below:

Component	Financial Statements Comparative Amount (Kshs)	Prior Year Financial Statements Amount (Kshs)	Variance (Kshs)
Cash flows - Surplus before working capital change	94,738,330	94,800,890	(62,560)
Cash flows - Net increase in cash and cash equivalent	4,197,538	4,134,979	62,559
Cash flows - Cash and cash equivalents at 30 June	3,822,385	3,884,944	(62,559)
Expenses - Electricity and water	25,018,172	24,955,613	62,559

- ii. The statement of changes in net assets reflect comparative surplus of Kshs.59,038,814 under revenue reserve while prior year audited financial statements reflect Kshs.59,101,374 resulting in unexplained variance of Kshs.62,560.
- iii. The statement of cash flows reflect decrease in payables of Kshs.60,695,582 while the re-computation of the balance revealed a decrease of Kshs.60,895,582 resulting in a variance of Kshs.200,000. The same variance arises between the recomputed amount of net increase in cash and cash equivalent of Kshs.236,665,278 and the amount reflected in the statement of cashflows of Kshs.236,865,278.

In the circumstance, the accuracy and completeness of the financial statements for the year under review could not be confirmed.

2. Cash and Cash Equivalent

The statement of financial position reflects cash and cash equivalents balance of Kshs.240,687,763. However, review of the supporting documents provided for audit verification including the cashbooks, bank statement, certificates of bank balances and bank reconciliation statements revealed several anomalies as follows;

- i. During the year under review, occasional cash transfers were made from an Mpesa account to one of the Centre's bank account. However, there was no clear policy on the frequency and a target amount informing the transfers.
- ii. There were no clear guidelines on management of petty cash, the maximum amount to be issued as petty cash and reasons or activities that qualify for settlement using petty cash. In addition, there was no analysis of expenditure incurred through petty cash payments hence was unaccounted for.
- iii. The Management did not maintain separate bank accounts for recurrent, development and deposit activities. As a result, funds were deposited randomly into the Centre accounts and expenditures settled from any of the accounts despite their nature making it difficult track categories of expenditure paid from the various accounts. Further, the retention money from contractors were not kept in separate account making it difficult to track against available funds of deposits.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.240,687,763 as at 30 June, 2022 could not be confirmed.

3. Incomplete Fixed Assets Register

The statement of financial position and as disclosed in Note 20 to the financial statements reflects a property, plant and equipment balance of Kshs.555,861,283. Review of the fixed asset register provided for audit revealed that the register did not contain the costs, depreciation, and net book values for the Centre's fixed asset.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.555,861,283 as at 30 June, 2022 could not be confirmed.

4. Unsupported Sale of Goods and Services

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects sale of goods amounting to Kshs.157,733,876. However, a detailed analysis of monthly sales was not provided for audit review. Instead, the Management provided a summary of sales for the regions. In addition, the summarized sales report reflects Kshs.148,373,585 which differed with Kshs.157,733,876 reflected in the financial statement resulting in a variance of Kshs.9,360,291.

Further, Note 7 to the financial statements reflects sale of frozen semen amounting to Kshs.105,290,475. Review of a laboratory report revealed that the total production for the year under review of 943,766 doses while doses sent to germplasm prevention unit were 887,331 doses. The variance of the 56,435 doses estimated to cost Kshs.11,287,000 were not accounted for since there was no report to support any discards. Additionally, there were no reports provided from the germplasm prevention unit on the quantities of

semen received from the lab and forwarded to the various regions as well as the detailed analysis of sales made within the headquarters.

In the circumstances, the accuracy, completeness of revenue from the sale of goods and services amounting to Kshs.157,733,876 for the year ended 30 June, 2022 could not be confirmed.

5. Unapproved Expenditure

The statement of comparison of budget and actual amounts reflects Kshs.873,478,613 and Kshs.704,612,059 in respect of expenditure budget and actual on comparable basis respectively. However, review of expenditure items in the statement revealed eight (8) expenditure items which exceeded their respective budgetary allocations resulting in unapproved expenditure of Kshs.47,888,596.

In the circumstances, the completeness and validity of the expenditure could not be confirmed.

The audit was conducted in accordance with 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.

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 matter 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

Incomplete Works at Kirinyaga Goat Artificial Insemination Centre

The Management engaged a contractor to undertake construction of a goat artificial insemination centre in Kirinyaga County at a contact price of Kshs.247,101,909 starting on 25 June, 2019 and be completed on 23 December, 2020. The contractor was allowed four (4) extensions of time with the final project completion date set for 30 March, 2022.

However, review of two (2) payment certificates for works done during the year under review totalling to Kshs.35,009,546 and physical verification of the site revealed the following anomalies:

- i. According to the bills of quantities, Kshs.4,000,000 was budgeted for insurance costs to cover contract staff and others. However, payment vouchers provided for audit revealed that the contractor had entered into a contract with an insurance company for a sum of Kshs.4,500,000. Management did not provide approval for the extra incurred cost of Kshs.500,000.
- ii. Physical verification of the project in February 2023 revealed that some works had not been done as per the bill of quantities. For instance, bill number 2 on internal road works indicates that 3 ft washes were to be constructed and filled with an approved disinfectant at a total cost of Kshs.240,000. However, only one-foot wash was constructed which was located at the gate to the main entrance.
- iii. As disclosed in the bill of quantities, an amount of Kshs.19,192,277 was provided for construction of an administration and laboratory building. The works included Kshs.1,223,750 in respect to Granito floor tiles with an approved adhesive on prepared screed. However, all the floors were fitted with normal tiles which did not meet specifications in the bill of quantities and whose costs were cheaper than provided for, resulting in loss of funds.
- iv. The bill of quantities reflects Kshs.19,181,006 in respect to external works which included Kshs.154,000 under element No. 4 in respect to landscaping provisions entailing supply of tree plants and maintenance of the same including building barricades all-round a tree plant. However, physical verification revealed that there were no barricades around the young trees which were meant to protect and maintain them. In addition, several trees had had dried up.

In the circumstance, value for money for amounts paid in respect of the project 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 matter 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

Weak IT Internal Control Systems

Review of the Information Technology Internal Control (IT) systems of the Centre revealed the following anomalies:

- i. The Centre does not have an offsite back up for the data and therefore was exposed risk of information loss in case of a disaster.
- ii. There was no documented Information Technology security policy in place to guide preservation of confidentiality, integrity of systems and information.

In the circumstances, the effectiveness of the Information Technology internal control was doubtful and could be ascertained.

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

Responsibilities of Management and 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the 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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls 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 Kenya Animal Genetic Resources Centre's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the 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 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, SBS
AUDITOR-GENERAL

Nairobi

07 June, 2023

KENYA ANIMAL GENETIC RESOURCES CENTRE
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XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – government grants	6	626,632,694	165,338,744
Revenue from exchange transactions			
Sale of goods and services	7	157,733,876	224,455,215
Other income	8	9,978,409	10,239,284
Rental income	9	954,300	973,195
Total Revenue from exchange transactions			
Total revenue		795,299,279	401,006,438
Expenses:			
Employee costs	10	157,973,083	155,096,569
Remuneration of directors	11	10,955,202	7,440,783
Depreciation and amortization expense	12	43,373,080	35,699,516
Repairs and maintenance	13	45,167,333	23,799,147
Administration expenses	14	167,031,142	114,891,024
Contracted services	15	4,621,825	4,978,026
Total expenses		429,121,665	341,905,064
Other gains/(losses)			
Surplus/(deficit) for the period		366,177,614	59,101,374

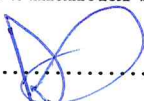
The notes set out on pages 38 to 54 form an integral part of these Financial Statements


KENYA ANIMAL GENETIC RESOURCES CENTRE
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For the year ended 30th June, 2022

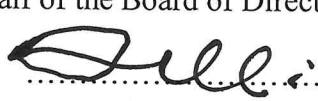
XIII. STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2022

		2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	16	240,687,763	3,822,384
Receivables from exchange transactions	18	62,418,348	53,428,561
Inventories	19	365,579,150	338,240,900
		668,685,261	395,491,845
Non-current assets			
Property, plant and equipment	20	555,861,283	324,940,608
Biological Assets	21	12,386,631	11,666,611
Work in progress	24	-	199,352,077
		568,247,914	535,959,296
Total assets		1,236,933,175	931,451,141
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	93,003,642	153,899,224
Refundable deposits from customers	23	12,699,920	12,499,920
Non-current liabilities		105,703,562	166,399,144
Total liabilities		105,703,562	166,399,144
Net assets			
Capital Reserves		185,872,025	185,872,025
Revenue Reserves		926,449,088	560,21,172
Donations		18,908,500	18,908,500
		1,131,229,613	765,051,997
Total net assets and liabilities		1,236,933,175	931,451,141

The Financial Statements set out on pages 1 to 54 were signed on behalf of the Board of Directors by:

.....

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

.....

 Silas W. Osundwa
 Senior Accountant
 ICPAK Member Number: 9601

.....

 Prof. James K. Wabacha
 Chairman of the Board

Date: 24/3/2023

Date: 24.3.2023

Date: 24/03/2023

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

	Attributable to the owners of the controlling entity			Total
	Reserves			
	Capital Reserve	Revenue Reserve	EAAPP Donations	
	Kshs	Kshs	Kshs	
Balance as at 1 July 2020	185,872,025	501,232,659	18,908,500	706,013,184
Surplus for the period	-	59,038,814	-	59,038,814
Transfers to/from accumulated surplus	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year				-
Revaluation gain			-	-
Balance as at 30 June 2021	185,872,025	560,271,473	18,908,500	765,051,998
Balance as at 1 July 2021	185,872,025	560,271,473	18,908,500	765,051,998
Surplus for the period	-	366,177,615	-	366,177,615
Transfer of excess depreciation on revaluation	-	-	-	-
Grants received during the year	-	-	-	
Revaluation gain	-	-	-	
Balance as at 30 June 2022	185,872,025	926,449,088	18,908,500	1,131,229,613

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

		30th June 2022	30th June 2021
		Kshs	Kshs
Surplus for the year		366,177,615	59,038,814
Adjustments:			
Annual Depreciation	20	43,373,079	35,699,516
Surplus Before working capital changes		409,550,694	94,738,330
Changes in working capital			
(Increase)/Decrease in inventory/stocks	19	(27,338,250)	(77,850,900)
(Increase)/Decrease in Receivables	18	(8,989,786)	3,937,634
(Increase)/Decrease in Work In Progress	24	199,352,077	(89,358,209)
Increase/ (Decrease) in Payables	22	(60,695,582)	73,929,658
Net Cash flows from Operating activities		511,879,152	5,396,513
Cash flows from Investing activities			
Acquisition of Property Plant and Equipment	20	(274,293,855)	(9,015,891)
Net Acquisition of biological asset	21	(720,020)	(578,160)
Net cash flows from investing activities		(275,013,875)	(9,594,051)
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		236,865,278	(4,197,538)
Cash and cash equivalents at 1 July		3,822,385	8,019,923
Cash and cash equivalents at 30 June	16	240,687,762	3,822,385

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Budget Utilization
	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	2021-2022 Kshs	
Revenue						
Government grants and subsidies	382,978,613	260,000,000	642,978,613	626,632,694	(16,345,919)	97.46
Sale of Goods and services	231,000,000	(12,000,000)	219,000,000	157,733,876	(61,266,124)	72.02
Other Incomes	10,000,000		10,000,000	9,978,409	(21,591)	99.78
Rental Income	1,000,000		1,000,000	954,300	(45,700)	95.43
Total income	624,978,613	248,000,000	872,978,613	795,299,279	(77,679,334)	91.10
		-				
		-				
Expenses						
Compensation to Employees	159,000,000		159,000,000	157,973,083	1,026,917	99.35
Remuneration of Directors	11,000,000		11,000,000	10,955,202	44,798	99.59
Repairs and Maintenance	26,500,000		26,500,000	45,167,333	(18,667,333)	170.44
Depreciation and Amortization	0		0	43,373,079	(43,373,079)	
Contracted Services	5,000,000		5,000,000	4,621,825	378,175	92.44
General Expenses						
Travelling and Subsistence	12,800,000	17,200,000	30,000,000	32,969,461	(2,969,461)	109.90
Telephone and Postage	2,900,000	400,000	3,300,000	3,216,516	83,484	97.47
Electricity and Water	32,500,000	(6,500,000)	26,000,000	25,463,793	536,207	97.94
Printing Stationery and Computer Expenses	6,600,000	(2,100,000)	4,500,000	4,323,178	176,822	96.07
Training, ISO & CSR	1,500,000	10,000,000	11,500,000	10,953,276	546,724	95.25
Uniforms and Protective Clothing	3,000,000	(1,500,000)	1,500,000	1,453,694	46,306	96.91
Bank Charges	800,000	200,000	1,000,000	931,608	68,392	93.16
Provision of Doubtful Debts	0		0	1,025,446	(1,025,446)	

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subscriptions					192,850	100
Catering Services	800,000	1,000,000	1,800,000		1,822,849	101.27
Motor Vehicle Insurance	2,000,000	(800,000)	1,200,000		1,120,567	93.38
Transport Operating Expenses	7,500,000	500,000	8,000,000		8,286,827	103.59
Bull Recruitment and Maintenance	6,600,000	8,400,000	15,000,000		14,560,035	97.07
Marketing and Advertisement	12,200,000		12,200,000		35,292,575	289.28
Rehabilitation of Motor Vehicles	3,000,000		3,000,000		3,210,399	107.01
Miscellaneous and other Charges	1,000,000	2,000,000	3,000,000		2,531,987	84
Kenya Climate Smart Agriculture Project	20,978,613		20,978,613		214,200	1.02
LN2 Containers & AI Equipment	1,840,000	14,000,000	15,840,000		18,286,302	115.44
Audit fees	1,160,000		1,160,000		1,160,000	100
Sub Total	318,678,613	42,800,000	361,478,613		429,106,085	118.87
Capital Expenditure	316,500,000		512,000,000		275,505,974	53.81
Total Expenditure	635,178,613	42,800,000	873,478,613		704,612,059	80.66

Budget notes

- i) The non-realisation of sales target is due to reduced purchases from counties, increasing competition from a government funded bull semen station, breakdown of liquid nitrogen plants, ecological changes in high and medium potential areas and continued use of bulls by farmers due to high AI cost.
- ii) Production income (notional income) drop is due to variation in inventories and laboratory production consumables.
- iii) Increase in compensation to employees is because of salary adjustments in the financial year.
- iv) The Liquid Nitrogen Containers and A.I equipment were bought for sale based on customer demand.
- v) Marketing and advertising includes liquid nitrogen bought for resale.
- vi) Repairs & Maintenance includes: purchase of liquid nitrogen plant turbine, contracts for maintenance of liquid nitrogen plants and repairs/painting of buildings in the Centre due to a government directive

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KAGRC is established by and derives its authority and accountability from Gazette Notice No.110 of 5th 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

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2020 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

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>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

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Standard	Effective date and impact:
	(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.

b) Budget information

The original budget for FY 2021-2022 was approved by the board in January 2021. Subsequently a revisions was made to the approved budget in September 2021. 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

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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%
Furniture and Fittings	12.5%

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, 2022.

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6. a) Transfers from other governments

Description	2021-2022	2020-2021
	KShs	KShs
Unconditional grants		
GOK Recurrent Grant	72,000,000	57,000,000
GOK Development Grant	550,000,000	100,000,000
Kenya Climate Smart Agric Project	4,632,694	8,338,744
Conditional grants		
Total government grants and subsidies	626,632,694	165,338,744

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	2020 - 2021
			KShs	KShs	KShs
Ministry of Agriculture Livestock and Fisheries	622,000,000	-	622,000,000	622,000,000	157,000,000
Kenya Climate Smart Project	4,632,694		4,632,694	4,632,694	8,338,744
Total	626,632,694	-	626,632,694	626,632,694	165,338,744

7. Sale of goods

Description	2021-2022	2020-2021
	KShs	KShs
Sale of goods		
Sale of Deep-Frozen Semen	105,290,475	106,715,396
Sale of Liquid Nitrogen	43,082,630	57,978,100
Other- Production Income	9,360,771	59,761,719
Total revenue from the sale of goods	157,733,876	224,455,215

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8. Other income

Description	2021-2022	2020-2021
	KShs	KShs
Liquid Nitrogen Containers	4,279,000	6,562,877
Artificial Insemination Equipment	3,815,640	2,150,200
Miscellaneous Income eg disposal of bulls, fees	1,883,769	1,526,207
Rental Income	-	-
Total other income	9,978,409	11,829,864

9. Rental Income

Rental Income	Kshs	Kshs
House Rent	954,300	973,195
Total	954,300	973,195

10. Employee costs

	2021-2022	2020-2021
	KShs	KShs
Salaries and wages	128,341,281	127,229,313
Employee related costs – contributions to medical aids	17,358,997	16,319,879
Employee related costs – contributions to pensions and gratuity	11,402,696	11,309,837
Work Injury Benefit	870,109	237,540
Employee costs	157,973,083	155,096,569

11. Remuneration of directors

Description	2021-2022	2020-2021
	KShs	KShs
Chairman's Honoraria	640,000	896,000
Directors emoluments	10,315,202	6,544,783
Total director Emoluments	10,955,202	7,440,783

12. Depreciation and amortization expense

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment	43,373,080	35,699,516
Total depreciation and amortization	43,373,080	35,699,516

13. Repairs and maintenance

Description	2021-2022	2020-2021
	KShs	KShs
Equipment and machinery	45,167,333	23,799,147
Total repairs and maintenance	45,167,333	23,799,147

14. General expenses

Description	2021-2022	2020-2021
	KShs	KShs
Travelling and Subsistence	32,969,461	15,201,169
Telephone and Postage	3,216,516	2,672,830
Electricity and Water	25,463,793	25,018,172
Printing, Stationery and Computer Expenses	4,323,177	2,805,513
Training and ISO	10,953,276	2,392,391
Uniforms and Protective Clothing	1,453,694	664,711
Bank Charges	931,608	866,203
Provision for Bad Debts	1,025,446	(465,189)
Subscriptions	192,850	151,668
Catering Services	1,822,849	1,604,239
Motor Vehicle Insurance	1,120,567	1,061,179
Transport Operating Expense	8,286,827	6,398,278
Motor Vehicle Servicing	3,225,980	2,735,095
Miscellaneous & Other Charges	2,531,987	10,843,082
LN2 Containers & A. I. Equipment	18,286,302	-
Audit Fees	1,160,000	-
Bull Recruitment and Maintenance	14,560,035	8,783,559
Marketing and Advertisement	35,292,575	27,975,610
Kenya Climate Smart Project	214,200	6,245,073
Total general expenses	167,031,143	114,953,583

15. Contracted Services

Description	2021-2022	2020-2021
	KShs	KShs
Contracted Services	4,621,825	4,978,026
Total Contracted Services	4,621,825	4,978,026

16. Cash and cash equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current account	238,952,859	3,365,312
Cash in Hand	1,734,904	457,072

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Total cash and cash equivalents	240,687,763	3,822,384
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17. Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022 Kshs.	2020-2021 Kshs.
a) Current account			
Barclays Bank of Kenya	0731056080	3,776,882	76,160
Barclays Bank of Kenya	0731082901	6,439,434	3,178,626
Barclays Bank of Kenya	0731082928	228,736,543	110,526
Sub- total		238,952,859	3,365,312
b) Others (specify)			
Cash in hand		33,455	77,332
Mpesa		1,701,449	379,740
Sub- total		1,734,904	457,072
Grand total		240,687,763	3,822,384

18. Receivables from exchange transactions

Description	2021-2022 KShs	2020-2021 KShs
Current receivables		
KAGRC Agents	60,278,953	50,024,489
Provision for doubtful debts@10%	6,027,895	5,002,449
Net Debts	54,251,058	45,022,040
Staff Debtors	279,308	173,176
Other exchange debtors-medical cover	7,887,982	8,233,345
Total current receivables	62,418,348	53,428,561
Total receivables	62,418,348	53,428,561

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19. Inventories

Breed	Value (Ksh)	Value (Ksh)
	2021/2022	2020/2021
Freisian	61,164,400	85,503,600
Guernsey	23,473,200	15,906,800
Boran	3,496,400	1,882,600
Jersey	38,058,600	29,689,400
Ayrshire	231,319,400	197,901,200
Sahiwal	1,508,000	338,300
Charolais	3,361,800	3,465,500
Simmental	1,905,600	2,198,800
Hereford	1,286,400	1,235,600
Unspecified Breed		
Magic 50	4,950	118,300
Brown Swiss	400	800
Total	365,579,150	338,240,900

Description	2021-2022	2020-2021
	KShs	KShs
Stores as at 30/06/2022	365,579,150	338,240,900
Total inventories at the lower of cost and net realizable value	365,579,150	338,240,900

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

Cost	Buildings		Motor vehicles		Farm Machinery		Computers		Loose Tools		Plant and Equipment		Furniture and Fittings		Total	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 st July 2021	137,196,212.00	66,789,427.00	12,888,353.00	44,576,007.00	1,828,888.00	474,072,261.00	-									737,351,148.00
Additions	234,905,612.20	19,520,000.00	-	2,859,651.00	772,749.00	15,268,517.60	967,325.00									274,293,854.00
Disposals																
Transfers/adjustments																
At 30 th June 2022	372,101,824.20	86,309,427.00	12,888,353.00	47,435,658.00	2,601,637.00	489,340,778.60	967,325.00									1,011,645,002.00
Depreciation and impairment																
At 1 st July 2021	18,828,908.00	54,366,592.00	7,531,695.00	40,964,394.00	1,416,506.00	289,302,545.00	-									412,410,640.00
Depreciation	7,065,458.32	7,985,734.00	669,582.25	2,135,517.12	391,093.23	25,004,779.00	120,915.63									43,373,079.00
At 30 th June 2022	25,894,366.32	62,352,325.75	8,201,277.25	43,099,911.12	1,807,599.23	314,307,324.20	120,915.63									455,783,719.00
Net Book Value																
At 30 th June 2021	120,541,397	12,422,935.00	5,356,658.00	3,611,613.00	412,382.00	184,769,716.00	846,409.38									324,940,608.00
Net book values																
At 30 th June 2022	346,207,457.88	23,957,101.25	4,687,075.75	4,335,746.88	794,037.77	175,033,454.40	846,409.38									555,861,283.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Investment in Biological Assets

Description	2021-2022	2020-2021
	KShs	KShs
At beginning of the year	11,666,611	11,088,451
Additions	1,212,120	828,160
Disposal	(492,100)	(250,000)
At end of the year	12,386,631	11,666,611

22. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	KShs	KShs
Trade payables	32,408,582	102,207,098
Payments received in advance	47,177,450	42,680,921
Employee Gratuity	12,257,610	7,851,205
Third-party payments	1,160,000	1,160,000
Total trade and other payables	93,003,642	153,899,224

23. Refundable deposits from customers

Description	2021-2022	2020-2021
	KShs	KShs
Customer deposits balance brought forward	12,699,920	12,699,920
Recruitment during the year	400,000	200,000
Refund of Deposits	(200,000)	(400,000)
Total deposits	12,899,920	12,699,920

24. Work in Progress

Description	2021-2022	2020-2021
	KShs	KShs
Work in progress	199,352,077	199,352,077
Transfer to PPE (Buildings)	(199,352,077)	
Total Work In Progress	0	199,352,077

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

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

b)

Transactions With Related Parties	2020-2022	2020-2021
	Kshs	Kshs
Transactions with related parties		
a) Grants /Transfers from the Government		
Grants from National Government	622,000,000	157,000,000
Kenya Climate Smart Project	4,632,694	8,338,744
Total	626,632,694	165,338,744

c) **Key management remuneration**

	2021/2022	2020/2021
Directors	10,955,202	7,205,783
Key management compensation	<u>47,360,729</u>	<u>46,528,970</u>
	58,315,932	53,734,753
	=====	=====

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 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.

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).

XVIII. 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)
OAG/KAGRC/2020-2021/(44)	1. Inaccuracies in the statement of comparison of budget and actual amounts		DCS/SA		
	2) Sale of goods and services a) Overstatement of sales b) Inaccuracies in revenue from sale of goods and services				
	3) General expenses a) Inappropriate charging of expenditure under general expenses-related to expenditures of subsistence and accommodation, training and bull recruitment. b) Unsupported travelling and subsistence allowance-expensed directly under travelling and subsistence allowances.	The Matters are being addressed		Partly Resolved	30 th June 2023

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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)
	c) Unsupported Climate Smart Agricultural Project expenditure-directly expensed instead of issuing imprests d) Unsupported electricity and water expenses e) Unexplained double payments f) Unconfirmed cash and cash equivalent g) Long outstanding bills h) Unconfirmed biological assets i) Non-disclosure of intangible assets j) Lack of ownership documents for land		DCS/SA MD DCS/SA MD		
	5) Unsupported refundable deposits from customers-Lack of a separate account for agency deposits.	The Matters are being addressed		Resolved	30th June 2023

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, PhD, HSC
Managing Director

Date  24/3/2023

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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 2021/2022				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		04/08/2021	18,000,000	2021/2022
		08/11/2021	18,000,000	2021/2022
		11/02/2022	6,000,000	2021/2022
		02/03/2022	6,000,000	2021/2022
		28/03/2022	6,000,000	2021/2022
		06/05/2022	6,000,000	2021/2022
		21/06/2022	6,000,000	2021/2022
		24/06/2022	6,000,000	2021/2022
		Total	72,000,000	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		02/07/2021	200,000,000	2020/2021
		24/08/2021	75,000,000	2021/2022
		24/08/2021	100,000,000	2021/2022
		21/04/2022	100,000,000	2021/2022
		21/04/2022	75,000,000	2021/2022
			550,000,000	
c.	Kenya Climate Smart Project			
		Bank Statement Date		
		27/11/2021	4,632,694	2021/2022
Grand Total			626,632,694	

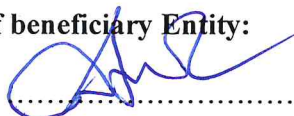
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I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department of beneficiary Entity:

Name: Silas Osundwa

Sign



Date

24.3.2023