

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

DATE: 07 MAR 2023

DAY:

TUESDAY

TABLED  
BY:

The Leader of the Majority  
Party (L.O.M)

**OF**

CLERK-AT  
THE TABLE:

Inzofu Mwale

**THE AUDITOR-GENERAL**

**ON**

**WAREHOUSE RECEIPT SYSTEM COUNCIL**

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





MINISTRY OF AGRICULTURE,  
LIVESTOCK, FISHERIES & COOPERATIVES

**WAREHOUSE  
RECEIPT SYSTEM  
COUNCIL**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*Public Sector Accounting Standards Board reporting template, June 2021*



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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

The Warehouse Receipt System Council was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019 following its assent on 12<sup>th</sup> June 2019 and its commencement on 2<sup>nd</sup> July 2019. At Cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Agriculture, Livestock, Fisheries and Cooperatives, who is responsible for the general policy and strategic direction of the Warehouse Receipt System Council.

**(b) Principal Activities**

The principal activity/mission of the Warehouse Receipt System Council is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

**(c) Key Management**

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

- Board of Directors/ Council.
- Chief Executive Officer; and
- Management

**(d) Fiduciary Management**

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

No.	Designation	Name
1.	Ag. Chief Executive Officer	Mr. Samuel Ogola
2.	Head of Technical Services	Ms. Grace Agili
3.	Head of Business Development & Strategy	Ms. Lucy Komen
4.	Head of ICT & Central Registry	Mr. Gilbert Nyakundi
5.	Head of Legal & Compliance Services	Ms. Jacqueline Odundo
6.	Head of Finance and Accounts	Ms. Cecilliah Muthoni
7.	Head of Procurement	Mr. Joel Osodo
8.	Head of Human Resource & Admin	Ms. Jane Were
9.	Head of Corporate Communication	Mr. Enock Matte
10	Head of Internal Audit	Ms. Clara Kangogo

**(e) Entity Headquarters**

P.O. Box 22757-00505  
Tea House, Naivasha Rd, off Ngong Rd.  
Nairobi, KENYA

**(f) Entity Contacts**

Telephone: (+254) 700368368  
E-mail: [info@wrsc.go.ke](mailto:info@wrsc.go.ke)  
Website: [www.wrsc.go.ke](http://www.wrsc.go.ke)

**(g) Entity Bankers**

National Bank of Kenya  
Ngong Road Branch  
P.O. Box 21922-00505  
Nairobi, Kenya

**(h) Independent Auditors**




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




**(i) Principal Legal Adviser**

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




**2. THE BOARD OF DIRECTORS/COUNCIL**






	Directors	Details
	<p><b>Jane M. Ngige – Chairperson</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Msc Food and Agriculture Biotechnology, University of Reading - UK</li> <li>• Post-graduate Certificate International Food Laws, The University of Michigan State-USA</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Currently involved in several national and regional development projects in agriculture, trade and development.</li> <li>• 15 years professional experience straddled across the civil service, private sector, Non-Governmental Organisations as well as development agencies. Jane honed her leadership skills while at the helm of the Kenya Flower Council and the Kenya Horticulture Council.</li> <li>• Board Member of the Kenya Private Sector (KEPSA) as well as the Agriculture Sector Network (ASNET).</li> </ul>
1.	<p><b>Benson L. Ngoriakou</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Bachelor of Laws (LL. B Hons) from the University of Nairobi</li> <li>• Postgraduate Diploma in Law from the Kenya School of Law</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Legal Officer at the Council of Governors Secretariat.</li> <li>• 5 years' regulatory compliance and governance expert involved in implementation of the Constitution especially devolution, human rights and public finance management.</li> <li>• Served in various Government agriculture committees including the Committee on the development of the Agricultural Sector Transformation and Growth Strategy (ASTGS) 2019-2029.</li> <li>• Member of several relevant Professional bodies.</li> </ul>
2.	<p><b>Rose Mutuku</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• MBA and International Relations University of Nairobi;</li> <li>• Qualified supply chain professional with MCIPS (UK) and also a graduate of National Defence College (NDC-Kenya)</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Founder and Managing Director of Smart Logistics.</li> <li>• 10 years' extensive experience in the grain industry as a warehouse operator, trader and processor in the region.</li> <li>• Extensive management experience in both the private and public sector organizations.</li> </ul>
3.		<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• MBA from Cranfield School of Management in the UK.</li> </ul>




	<p><b>Christine Mwai-Marandu</b></p> 	<ul style="list-style-type: none"> <li>• Associate of Chartered Institute of Bankers (ACIB) qualification and certified Executive Coach</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Country Credit Director at Absa Bank Kenya PLC overseeing credit lending process for Retail and Business Banking, Corporate &amp; Investment Bank and Markets (Foreign Exchange Sales and Trading).</li> <li>• 28 years' experience working for Barclays Bank in both Retail and Corporate banking environments in UK, South Africa and Tanzania in senior leadership roles.</li> <li>• Member of the Barclays Kenya Country Management Committee and the Board Credit Committee.</li> </ul>
4.	<p><b>Eng. Kennedy Makudiuh</b></p> 	<p><b>Qualification</b></p> <ul style="list-style-type: none"> <li>• MSc in Environmental and Biosystems Engineering from the University of Nairobi</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Senior Principal Superintending Engineer MOALF&amp;C - State Department for Crop Development and Agricultural Research, Agricultural Engineering Services Directorate</li> <li>• Currently the National Project Coordinator for Small-scale Irrigation and Value Addition Project (SIVAP) and Drought Resilience and Sustainable Livelihoods Programme (DRSLP) – Kenya.</li> <li>• Active member of several relevant Professional bodies both local and international.</li> </ul>
5.	<p><b>Charles J. K. Njoroge, EBS</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Master of Development Economics [ MDE],</li> <li>• Postgraduate Certificate in Telecommunications Regulation</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Former Deputy Secretary General of East Africa Community (EAC) in Arusha, Tanzania for six years having been appointed by the Heads of States and Summit in April 2013.</li> <li>• Over 35 years of experience (30 years in the ICT/Telecommunications industry and 6years in Regional Economics and Politics).</li> </ul>





6.	<p><b>Eng. Thomas Murgor</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• BSc in Civil Engineering from the University of Nairobi</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• 8 years' experience in the Public Service working as a Roads Engineer in the Ministry of Transport and Communications (MOTC).</li> <li>• 25 Years as a cereal farmer in Uasin-Gishu (Breadbasket) and has played a key role in advocating on farmers' issues.</li> <li>• Founder and Director of Eldoret care Recovery Centre- A rehab for treatment of substance use Disorders (SUDs).</li> </ul>
7.	<p><b>Kello Harsama</b></p> 	<p><b>Qualifications</b></p> <ul style="list-style-type: none"> <li>• Master's Degree in Public Administration</li> <li>• Advanced Diploma in Public Administration (Kenya Institute of Administration)</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Acting Director General Agriculture and Food Authority (AFA)</li> <li>• 25 Years' experience in the field of Public Administration.</li> <li>• Served as District Commissioner and County Commissioner in various stations in the field (State Department of Interior).</li> <li>• Served as Administration Secretary in the State Department for Crops.</li> </ul>
8.	<p><b>Samuel Ogola</b></p> 	<p><b>Qualification</b></p> <ul style="list-style-type: none"> <li>• Executive Masters in Business Administration(EMBA): Leadership and Business Systems Development</li> <li>• Strategic Leadership Development Programme. (SLDP), KSG 2020</li> </ul> <p><b>Experience</b></p> <ul style="list-style-type: none"> <li>• Previously Manager Regional Coordination (MRC coordinating County Governments and the Agriculture Food Authority (AFA).</li> <li>• Served as the Interim Head of Tea Directorate.</li> <li>• Over 30 years wide experience in working with, Government, Private sector and Industry organizations both locally and internationally.</li> <li>• Good Knowledge of Government's Policies for the Agricultural sector as articulated in Vision 2030 and the Agriculture Sector Development Strategy (ASDS).</li> </ul>

### 3. MANAGEMENT TEAM

No.	Designation	Name
1.	<p><b>Ms. Grace Agili</b></p>  <ul style="list-style-type: none"> <li>• MSc. Management of Agricultural Knowledge Systems</li> <li>• Bsc. in General Agriculture (UoN)</li> <li>• Diploma in Business and ICT (IAT)</li> <li>• Diploma in French at the French cultural centre</li> </ul>	<p><b>Head of Technical Services.</b></p> <p>Responsible for warehouse inspections, national survey on commodities, training and capacity building of stakeholders.</p>
2.	<p><b>Ms. Lucy Komen</b></p>  <ul style="list-style-type: none"> <li>• Masters of Business Administration (Egerton)</li> <li>• Bachelors in Business Administration, Marketing</li> <li>• Bachelors in Information Technology</li> </ul>	<p><b>Head of Business Development &amp; Strategy</b></p> <p>Responsible for promoting use of the Warehouse Receipt System, mobilizing resources and partnerships.</p>
3.	<p><b>Mr. Joel Osodo</b></p>  <ul style="list-style-type: none"> <li>• Master of Science in Procurement &amp; Logistics</li> <li>• Post Graduate Diploma, Procurement &amp; Logistics</li> <li>• Bachelor of Commerce (Finance and Banking)</li> <li>• M.K.I.S.M.</li> </ul>	<p><b>Head of Procurement</b></p> <p>Responsible for overseeing and coordinating Supply Chain Management and providing professional procurement advice to the Council.</p>

No.	Designation	Name
4.	<p><b>Ms. Jane Were</b></p>  <ul style="list-style-type: none"> <li>• Certified Human Resource Professional (CHRP-K)</li> <li>• Master of Business Administration (Strategic Management)</li> <li>• Bachelor of Commerce (Human Resource Management)</li> <li>• Higher National Diploma in Human Resource Management</li> </ul>	<p><b>Head of Human Resource &amp; Admin</b></p> <p>Responsible for attracting, motivating and retaining competent, talented and adequate human resources, and facilitate them adequately to meet the objectives of the Council.</p>
5.	<p><b>Ms. Jacqueline Odundo</b></p>  <ul style="list-style-type: none"> <li>• Bachelor of Laws (LLB, Hons)</li> <li>• Master of Arts International Relations</li> <li>• Post Graduate Diploma Kenya School of Law</li> <li>• LLM Food Law</li> <li>• MCI Arb Chartered Institute of Arbitrators, Kenya</li> <li>• Member Law Society of Kenya</li> </ul>	<p><b>Head of Legal &amp; Compliance Services</b></p> <p>Responsible for corporate secretarial services, legal matters, compliance with legal and regulatory requirements.</p>
6.	<p><b>Ms. Clara Kangogo</b></p>  <ul style="list-style-type: none"> <li>• Master of Business Administration in Finance</li> <li>• Bachelor of Commerce (BCom) in Finance</li> <li>• Certified Public Account of Kenya (CPA-K)</li> <li>• Member, Institute of Certified Public Accountants</li> <li>• Member of Institute of Internal Auditors</li> </ul>	<p><b>Head of Internal Audit</b></p> <p>Responsible for continuous improvement of governance, transparency, accountability and integrity in Council resource management.</p>



No.	Designation	Name
7.	<p><b>Ms. Ceciliah Muthoni</b></p>  <ul style="list-style-type: none"> <li>• Bachelor of Business Administration in Accounts</li> <li>• Certified Public Accountant of Kenya (CPA-K)</li> <li>• Member, Institute of Certified Public Accountants of Kenya (ICPAK)</li> </ul>	<p><b>Head of Finance and Accounts</b></p> <p>Responsible for financial accounting and financial reporting.</p>
8.	<p><b>Mr. Gilbert Nyakundi</b></p>  <ul style="list-style-type: none"> <li>• MBA Management Information Systems</li> <li>• BSc. Information Sciences</li> <li>• Member: ISACA</li> </ul>	<p><b>Head of ICT &amp; Central Registry</b></p> <p>Responsible for setting strategy and direction for the IT &amp; Central Registry department.</p>

#### 4. CHAIRPERSON'S STATEMENT

The Warehouse Receipt System Council was established under Section 3 of the Warehouse Receipt System Act No. 8 of 2019 following its assent on 12<sup>th</sup> June 2019. The Council officially began its term following its inauguration on 29<sup>th</sup> July 2020 by the Cabinet Secretary Ministry of Agriculture, Livestock, Fisheries & Cooperatives. Four Board Committees were subsequently formed namely, Finance & Strategy, Operations & Compliance, Human Resource and Governance and Audit & Risk Committees.

The Council members were taken through a board induction program by the Kenya School of Government as required by the Mwongozo Code of Corporate Governance for State Corporations. The Council is still awaiting the appointment of a suitable representative by the PS National Treasury to join the Council.


The Warehouse Receipt System supports the achievement of the food and nutrition security pillar of the Presidential Big 4 Agenda and the Vision 2030. The system seeks to improve smallholder productivity and incomes through de-risking the agriculture sector by availing incentives to reduce post-harvest losses, enhancing structured marketing of agricultural commodities as well as improving access to credit for farmers using warehouse receipts as alternative collateral.

The Council immediately commenced operations by leasing and subsequently customizing the electronic Warehouse Receipt System (e-WRS) from the Eastern Africa Grain Council (EAGC) and setting up the Central Registry to facilitate issuance of warehouse receipts. It has also approved the following as priority agricultural commodities under WRS: maize, rice, pulses, meat, processed milk, fish, potatoes, coffee, tea, macadamia nuts, pyrethrum, cotton and coconut.

The L.N. 3 of 2021 Warehouse Receipt System Regulations were published on 21<sup>st</sup> January 2021 and approved by the National Assembly Committee on Delegated Legislation on 2<sup>nd</sup> June 2021 subject to the publication of a corrigendum that was published in the Kenya Gazette on 6<sup>th</sup> July 2021.

For the FY2020/2021, the Council worked towards setting up the key foundational elements to ensure implementation of its mandate. This includes set up of the organisation structures and processes, rollout of the WRS, sensitization and awareness creation on the WRS concept and its benefits carried out in 8 counties for Governors, CECMs, County Directors and County Officers.

I am looking forward to building on the momentum created so far in growing the Council and serving the agricultural sector players.



**Jane M. Ngige**  
**CHAIRPERSON**

## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Council is mandated to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya. This system falls under the economic and macro pillar of the Vision 2030, specifically agriculture and rural development. Since the Warehouse Receipt System is set to contribute towards structured trading of agricultural commodities, it fits into the agri-business development programme and agricultural credit and financial services access programme also under the Vision 2030, Agricultural Policy and ASTGS.

The FY2020/2021 was the first year of the Council's operation and staff were deployed from AFA, MoALF&C, PPCK and contracted on short-term engagements to assist operationalize the Council. The Council prioritized sensitization and awareness creation programmes on WRS concept, its benefits and the Warehouse Receipt System legal framework. Sensitization and capacity building activities were undertaken in Trans-Nzoia, Uasin Gishu, Nakuru, Meru, Embu, Nyeri, Nandi and Narok Counties in the period between November 2020 and June 2021 targeting Governors, County commissioners, County officials and various value chain actors including cooperative societies, farmer leaders, private sector and key opinion leaders.

The Council issued Certificates of Conformity to NCPB as a warehouse operator for its warehouse stores in Nakuru, Trans-Nzoia, Uasin Gishu, Meru and Nairobi Counties and facilitated the relevant county governments in issuing licenses for the same. In partnership with AFA, the Council pre-inspected eight (8) farmer-owned warehouses which are supported by KCEP-CRAL in Nandi, Bungoma, Kakamega, Trans Nzoia, Embu and Tharaka Nithi counties in preparedness for final inspections.

To achieve its mandate, the Council successfully leased and customized an electronic warehouse receipt system and established a central registry on cloud database under the MS SQL platform for its first phase of implementation. The system has been implemented in licensing the NCPB Nakuru store where commodity has been stored and a warehouse receipt issued. Subsequently this will be implemented in all the other certified and licensed warehouses during the harvest seasons of the various approved commodities.

Sensitization and capacity building of county officers and stakeholders on the approved L.N. 3 2021 Warehouse Receipt System Regulations was commenced in Meru, Embu, Nyeri, Nandi and Narok counties and planning is underway in undertaking the same in the rest of the counties and the 6 No. Regional Economic Blocs.



The Council signed a Memorandum of Understanding (MoU) with Kenya Investment Authority with a view to facilitate structured trading for agricultural commodities through investment inflow to warehousing infrastructure, as most of the warehouses are dilapidated. An MoU with the Agriculture Finance Corporation (AFC) was also signed to facilitate the development of Warehouse Receipt Financing products for farmers affiliated with AFC.

Despite the above-mentioned achievements, the Council has also faced challenges in the implementation of its mandate. The Council has limited funding since it only has development funds for the operationalization of the WRS Act, 2019 but no recurrent grants from the ex-chequer to enable it to fully undertake operations. This has led to the Council not being granted rights to the Government Investment Management Information System (GIMIS). For the FY 2020/21, in the supplementary budget approved in March 2020, the Council was allocated Kshs. 75 million. However, only Kshs. 25 million was received in the Council's bank account within the financial year. This deterred achievement of the planned targets for the year.

The Council has submitted and is awaiting categorization by the State Corporations Advisory Committee (SCAC) as well as approval of its Human Resource Policy instruments (Organizational Structure, Career progression guidelines, HR policies and Procedures Manual) that will then enable the Council to employ adequate staff. The procurement process for a consultant to support the Council develop a four-year Strategic Plan and Corporate Communication Strategy, has been initiated. This will give direction for the Council in setting up its priority goals for a four-year period.

Through the intervention of the Principal Secretary – State Department of Crop Development and Agricultural Research, financial support of Kshs. 12 million was granted by Kenya Climate Smart Agriculture Project (KCSAP) to the Council to enable leasing and maintenance of the e-WRS, establishment of the central registry, training and capacity building of the Council staff, stakeholders and value chain actors. An additional operations support funding of Kshs. 15 million was granted through Agriculture and Food Authority (AFA) for the FY 2020/21.

In spite of the above, I am looking forward to fully operationalising the Warehouse Receipt System in line with the mandate of the Council.

  
**Samuel Ogola**  
**Ag. Chief Executive Officer**

## 6. STATEMENT OF THE COUNCIL'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

The Council has initiated the process of developing its strategic plan which will be undertaken in FY 2021/22. The Strategic Plan will cover a four-year period from 2021-2024.

The Council's key objectives were as follows:

Objective 1: Operationalization of WRS Act No. 8 of 2019 and

Objective 2: Awareness and sensitization of WRS to stakeholders.

The Council developed its annual work plans based on the above two objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Council achieved its performance targets set for the FY 2020/2021 period for its key objectives, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Operationalization of the WRS Act. 2019	Organization set up	<ul style="list-style-type: none"> <li>Deployment of staff</li> <li>HR policy developed and implemented.</li> <li>Set up of systems and procedures</li> </ul>	Develop HR policy instruments and Organization structure  Purchase of equipment and working tools.	The Organizational structure and Human Resource Instruments developed, approved by the Council awaiting approval by SCAC
	Operationalization of WRS	Technical Operational Manual developed	Prescribe the duties of warehouse operators, inspectors, graders, weighers and collateral managers	Zero Draft Operation. Manual for cereals and grains developed.
		Warehouse receipt system for agriculture commodities facilitated	Facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities	13 flagship commodities to be traded under WRS developed.  Certificates of conformity issued to Nakuru, Kitale, Eldoret, Nairobi and Meru NCPB stores.



				Licensed NCPB warehouses in Nakuru and Kitale.
		Facilitating licensing /Inspection reports	Inspection identified warehouses	The Council in partnership with AFA pre-inspected warehouses supported by KCEP-CRAL in Nandi, Bungoma, Kakamega, Trans Nzoia, Embu and Tharaka Nithi counties.
		E-Central registry established/ Register of warehouse receipts	Establish and Maintain E-central registry for the management of warehouse receipt transactions under the act	The Council successfully customized the WRS in readiness for commodities intake under the WRS.  Central Registry successfully developed on a cloud database under the MS SQL platform.
		Enhance Acceptance of the WRS / Training reports Attendance schedules	Training of key stakeholders and Value chain actors (VCAs)	Sensitization meetings done in Uasin Gishu, Trans Nzoia, Nakuru, Meru, Embu, Nyeri, Narok and Nandi Counties
	Promote the development of a national network warehouses for WRS	Number of participating warehouses  Reports List of Investors  No. of projects sponsored by investors	Hold investment forums to attract interested investors into Warehousing	Virtual/physical meetings held with AFC, Cooperative bank, KTDA, Coffee Directorate, Fibre Directorate, Agricultural Sector Network (ASNET), KNCCI and KenInvest.  Two (2) MoUs signed
	Implement an efficient commodity grading and weighing system that ensures quantity and quality assurance	Successful adoption of standards Reduced dispute among stakeholders  Surveillance reports	Surveillance and monitoring of the commodity standards  Implementation of Contracts	The Council will develop guidelines and regulations on the same in the next FY2021/2022.
Awareness creation and sensitization	To enhance relationships with all stakeholders	Number of media forums conducted	Enhance communication to stakeholders	Council's website ( <a href="http://www.wrsc.go.ke">www.wrsc.go.ke</a> ) and social media channels (Twitter and WhatsApp accounts),

of stakeholders	(Mobilization and sensitization)	Customer satisfaction and awareness	through various media forums	Developed Council's brochures. Media breakfast and briefings in Nairobi, Trans Nzoia, Uasin Gishu and Nakuru Counties.  Media campaigns with Nation Media (Seeds of Gold and Business Daily)
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## 7. CORPORATE GOVERNANCE STATEMENT

### A. Council Meetings Held

The Council has held four Full Council meetings since the inaugural Council meeting held on 29<sup>th</sup> July 2020 inclusive of Committee meetings for Finance & Strategy, Operations & Compliance, Human Resource and Governance and Audit & Risk Committees. All Council members have been in attendance. A Succession plan is yet to be developed and a board charter is under development.

### B. Appointment of Chairperson and Members of the Council

#### i) Chairperson

The Chairperson of the Council Mrs. Jane Mumbi Ngige was appointed by H.E. the President of the Republic of Kenya vide Gazette Notice No. 3378 dated 16<sup>th</sup> April 2020 for three years starting from 16<sup>th</sup> April 2020 and whose term will expire on 15<sup>th</sup> April 2023.

#### ii) Members of the Council

The Members of the Council were appointed by the Cabinet Secretary, Ministry of Agriculture, Livestock, Fisheries & Cooperatives as per the Warehouse Receipt System Act No. 8 of 2019, as follows:

- a. Benson Loktari Ngoriakou was appointed vide gazette notice No.2511 dated 19<sup>th</sup> March 2020 for three years starting from 19<sup>th</sup> March 2020 as a representative of the Council of Governors in line with provisions of Section 3 (3) (d) of the WRS Act and whose term will expire on 18<sup>th</sup> March 2023;
- b. Rose Mawia Mutuku was appointed vide gazette notice No.2511 dated 19<sup>th</sup> March 2020 for three years starting from 19<sup>th</sup> March 2020 as a representative of Eastern African Grain Council in line with the provisions of Section 3(3) (h) of the WRS Act and whose term is set to expire on 18<sup>th</sup> March 2023;

- c. **Christine Mwai-Marandu** was appointed vide gazette notice No.2511 dated 19<sup>th</sup> March 2020 for three years starting from 19<sup>th</sup> March 2020 as a representative of the Kenya Bankers Association and whose term is set to expire on 18<sup>th</sup> March 2023;
- d. **Eng. Thomas Kipkurui Murgor** was appointed vide gazette Notice No. 6784 dated 2<sup>nd</sup> September 2020 for three years with effect from 2<sup>nd</sup> September 2020 as a farmer representative in line with Section 3 (3) (g) of the WRS Act, and whose term is set to expire on 1<sup>st</sup> September 2023;
- e. **Charles J. K. Njoroge, EBS** was appointed by the Cabinet Secretary vide gazette Notice No. 17 dated 8<sup>th</sup> January 2021 for a period of three years starting from 6<sup>th</sup> January 2021 as a representative of warehouse operators in Kenya in line with Section 3 (3) (j) of the WRS Act and whose term is set to expire on 7<sup>th</sup> January 2024;
- f. **Phillip Harsama Kello** was appointed in line with Section 3(3) (b) of the WRS Act as Director general AFA vide appointment letter;
- g. **Eng. Kennedy Makudiuh** was appointed as a representative of the PS responsible for Agriculture vide appointment letter dated 18<sup>th</sup> December 2019 for a period of 3 years set to expire on 17<sup>th</sup> December 2022; and,
- h. The representative of the Principal Secretary National Treasury & Planning is yet to be appointed.

### **C. Board Induction**

The Chairperson and Members of the Council were inducted on their roles, duties and responsibilities by the Kenya School of Government in Naivasha from 11<sup>th</sup> -13<sup>th</sup> February 2021.



#### D. Board Committee Membership

The Council has constituted four committees in line with the provisions contained in Mwongozo Code of Governance whose membership is as follows:

Name of the Committee	Members
Finance and Strategy Committee	<ol style="list-style-type: none"> <li>1. Charles J.K. Njoroge, EBS- Chair</li> <li>2. Christine Mwai-Marandu</li> <li>3. Phillip Harsama Kello</li> <li>4. PS National Treasury</li> </ol>
Human Resource & Governance Committee	<ol style="list-style-type: none"> <li>1. Benson Loktari Ngoriakou-Chair</li> <li>2. Phillip Harsama Kello</li> <li>3. Eng. Kennedy Makudih</li> <li>4. Rose Mutuku</li> </ol>
WRS Operations & Compliance Committee	<ol style="list-style-type: none"> <li>1. Rose Mutuku- Chair</li> <li>2. Benson Loktari Ngoriakou</li> <li>3. Eng. Thomas Murgor</li> <li>4. Charles J.K. Njoroge, EBS</li> </ol>
Audit & Risk Committee	<ol style="list-style-type: none"> <li>1. Christine Mwai-Marandu-Chair</li> <li>2. Eng. Thomas Murgor</li> <li>3. Eng. Kennedy Makudih</li> <li>4. PS National Treasury</li> </ol>

#### E. Board and Member Performance

The Council has had 4 meetings including committee meetings, a board induction and a retreat to review and approve the Human resource policy instruments attended by all members. All members have been in well attendance in the Council deliberations and in giving policy directives governing the Council.

#### F. Conflict of Interest

No conflict of interest was expressed by members during the Council meetings.

#### G. Board Remuneration

Council members are remunerated in line with the provisions of Section 8 of the WRS Act and the existing government circulars on board remuneration.

The governance audit will be conducted in the FY2021/2022 as the Council has just completed its first year in office.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The FY 2020/21 being the first operational year for the Council, it has worked towards creation of temporary internal structures by adapting a recommended structure by the Ministry Secretariat on WRS for operationalization and staff temporarily deployed from existing Government Agencies. The Council being in its nascent stage currently only has a development grant allocation from the ex-chequer and is yet to generate appropriation-in-aid.

The Organizational structure and Human Resource Instruments (Career progression guidelines, HR policies and Procedures Manual) were developed and presented to the Council Members and approved with minimal amendments. The State Department for Public Service (SDPS) is to forward the final reports to the CS-Ministry of Agriculture, Livestock, Fisheries and Cooperatives for concurrence and transmission to States Corporation Advisory Committee (SCAC) for their approval. The approval of the HR Instruments will enable the Council recruit the CEO and other key staff. Similarly, The Council sought for categorization as a regulator under Category 6A and the justification forwarded to the CS-MoALF&C for onward transmission to SCAC.

The electronic Warehouse Receipt System was successfully leased from EAGC and the Central Registry developed on a cloud database under the MS SQL platform. The Council through the system is able to query different warehouse receipt reports as well as store and retrieve warehouse receipts. User acceptance training on the warehouse receipt system to warehouse operators, WRSC staff and the County Government WRS licensing committees was undertaken in Nakuru, Trans-Nzoia and Uasin-Gishu counties. NCPB Nakuru was able to receive maize under the WRS and issued a Warehouse Receipt to Tuiyotich KCEP C.B.O.

To help implement an efficient commodity grading and weighing system that ensures quantity and quality assurance and facilitate the enforcement of commodity standards necessary for the warehouse receipting system, a draft technical operation manual on cereals and grains has been developed. This has been developed by a Committee that includes key stakeholders and will be presented to the Council for approval.

The procurement process for a consultant to support the Council develop a four-year Strategic Plan and Corporate Communication Strategy, has been initiated. This will give direction for the Council in setting up its goals and priorities for a four-year period from 2021-2024. This will be presented to the stakeholders for concurrence before implementation.



The Warehouse Receipt System also includes a platform for depositors to access warehouse receipt financing using the registered warehouse receipt as collateral. The Council engaged various credit institutions who have expressed interest in developing and offering warehouse receipt financing. Further, it engaged with International Financial Corporation (IFC) with a view to signing a corporation agreement on technical support for operationalization of the WRS.

The Council has established partnerships with relevant institutions such as County Governments, KOMEX, financial institutions and existing Government Agencies.

The Council has complied with the relevant statutory obligations with respect to KRA, NHIF, NITA and NSSF; WRSC Council members and top management do not have any existing conflict of interest issues or governance issues. Being a new organization, this will be the first audit.

**Major risks facing the entity**

- a) Financial constraints since the Council has no recurrent funds for optimal operational use;
- b) Organizational set-up challenges and inadequate technical staff to support initial operationalization;
- c) Change management challenges by beneficiaries of the current commodity trade systems;
- d) Low uptake of the new system by private warehouse operators; and,
- e) Low awareness among key stakeholders and value chain actors.

**9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Warehouse Receipt System Council 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.

**i) Environmental performance**

The Council being in nascent stage, is yet to develop an environmental policy but plans to do so in the FY 2021/22. This will guide on waste and biodiversity management and reduction on environmental impact of the organisation's products and services.

**ii) Employee welfare**

In the financial year 2020/21, the Council developed Human Resource Policy Instruments which were submitted to SCAC for approval. Among clauses in the manual are consideration on gender

and adversity representation as enshrined in the Kenya Constitution, 2010 and stakeholder's engagement in programs and activities of the Council. Currently the Council has employees deployed from the Ministry, AFA and PPCK. While bringing in the employees, gender and ethnic diversity considerations were made and the current staffing is balanced at 13 male and 11 female.

In its initial year of operation, the Council trained all staff on Warehouse Receipt System and has continued to capacity build employees in the technical area constituting the core mandate. In addition, a management development program was implemented where three Management staff were taken for the Senior Management Course at Kenya School of Government (KSG). The Council has made commitments in the 2021/22 performance contract on competence development, staff appraisal, Safety and compliance with Occupational Safety and Health Act and gender mainstreaming among other commitments.

**iii) Market place practices-**

**a) Responsible competition practice.**

As the regulating authority, we practice fairness and are unbiased with licensing and certification done online for transparency. The Council has developed policies for whistle blowing and code of conduct and ethics to address issues of corruption.

**b) Responsible Supply chain and supplier relations**

The Council comply with the Public Procurement and Disposal Act and Regulations, 2020 and maintains good business practices and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

## 10. REPORT OF THE DIRECTORS

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

### i) Principal activities

The principal activity/mission of the Warehouse Receipt System Council is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

### ii) Results

The results of the entity for the year ended June 30, 2021, are set out on page xi to xiii.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page iv-viii.

### iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Council had no surplus as at the end of the FY 2020/2021.

### v) Auditors

The Auditor General is responsible for the statutory audit of the Warehouse Receipt System Council in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2021.

**By Order of the Board:**

Name: JACQUELINE ODUNDO  
LEGAL AND COMPLIANCE

Signature: 

Date: 20<sup>th</sup> June 2021

## 11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 16 of Warehouse Receipt System Act, 2019 require the Council to prepare financial statements, which give a true and fair view of the state of affairs of the Council at the end of the financial period and the operating results of the Council for that period. The Directors are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy its financial position. The Directors are also responsible for safeguarding the assets of the Council.

The Directors are responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year (period) ended on June 30, 2021. These responsibilities include:

- 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 Council;
- 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 Council;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Council'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 Public Finance Management Act, 2012 and the Warehouse Receipt System Act, 2019. The Directors are of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended June 30, 2021, and of the Council's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council'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 Council will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The WRSC financial statements were approved by the Board on 29<sup>th</sup> September 2021 and signed on its behalf by:



Signature:

Name: Jane M. Ngige

**Chairperson of the Council**



Signature

Name: Samuel Ogola

**Accounting Officer**



# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON WAREHOUSE RECEIPT SYSTEM COUNCIL FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of the Warehouse Receipt System Council set out on pages 1 to 12, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Unsupported Balances**

Review of the financial statements against supporting ledgers, schedules and other relevant support documents revealed unsupported balances as shown below:

<b>Account Description</b>	<b>Reference</b>	<b>Financial Statements Balance (Kshs.)</b>	<b>Unsupported Amount (Kshs.)</b>	<b>Observations</b>
Revenue from Non-Exchange Transactions	Note 5	52,153,392	52,153,832	Grants of Kshs.37,153,832 and Kshs.15,000,000 from the State Department for Crops Development and Agriculture Research, and Agriculture and Food Authority (AFA) were not supported by disbursement letters from the institutions or The National Treasury outlining the purpose and conditions for recognition of the recurrent and capital grants
Cash and Cash Equivalents	Note 15	5,348,906	5,348,906	No cash books and bank reconciliation statements were provided in support of cash and cash equivalents balances as at 30 June, 2021.
Receivables	Note 16	16,360	16,360	Imprest registers in support of staff payables were not provided to support the balance.
Property, Plant and Equipment	Note 12	5,291,089	10,231,089	The Management did not maintain fixed and intangible assets registers and thus, details of assets owned by the Council, dates of their acquisition, costs, location, depreciation and amortization

<b>Account Description</b>	<b>Reference</b>	<b>Financial Statements Balance (Kshs.)</b>	<b>Unsupported Amount (Kshs.)</b>	<b>Observations</b>
				charges and their net book values could not be confirmed.
Domestic Travel and Subsistence	Note 7	10,049,642	1,331,600	Subsistence allowances amounting to Kshs.1,331,600 were not supported by requisite documents such as imprest warrants, approved travel memos and approved activity budgets and workplans among others
Use of Goods and Services	Note 7	10,049,642	1,062,452	Expenditure on office stationery, fuel, newspapers and airtime, emails, and staff welfare were not supported with relevant documents such as invoices, cash sale receipts, delivery notes and motor vehicle work tickets among other documents
Board Expenses	Note 9	5,173,826	2,466,520	Expenditure on Board Members' sitting allowances was not supported with the relevant documents such as minutes of the meetings, attendance registers and notices for the meetings.
Project Expenses	Note 11	18,607,772	4,337,708	Payment vouchers in respect of preparation of Human Resource Policy instruments, training and capacity building and sensitization of stakeholders were not supported with relevant documents and details including job groups of the imprest holders and the applicable daily subsistence rates used, work tickets and attendance registers.
Repairs and Maintenance Expenses	Note 10	541,184	258,581	Payment vouchers in respect of repairs and maintenance not supported by relevant documents such as invoices, local service orders, pre-service and post service reports among others.



Account Description	Reference	Financial Statements Balance (Kshs.)	Unsupported Amount (Kshs.)	Observations
Trade and Other Payables	Note 14	4,980,209	700,000	Staff claims payments which were not supported by relevant documents such as approvals, purpose for payment and services rendered among others

In the circumstances, the accuracy and completeness of the financial statement balances for the year under review could not be confirmed.

## **2. Use Goods and Services**

The statement of financial performance reflects expenditure of Kshs.10,049,642 in respect of use of goods and services. Review of records relating to the expenditure revealed the following anomalies:

### **2.1 Weaknesses Processing and Expensing of Subsistence Allowances**

The Management did make use of imprest warrants or maintain imprests register when advancing payments for travel and subsistence allowance payments. In addition, some requisitioning memos for imprests did not indicate the job groups of the applicants and rates applicable. Further, some imprests issued were treated as expenses directly before the commencement of activities for which they had been issued.

### **2.2 Unauthorized Payment Vouchers**

Payment vouchers for expenditure amounting to Kshs.2,494,742 in respect of use of goods and services were not authorized contrary to Regulation 105(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that an Accounting Officer or any other officer delegated in writing by him or her may authorize payment vouchers on his or her behalf for expenditure chargeable to his or her vote, provided such expenditure is in respect of and within the provision of the services in a National Treasury warrant, in accordance with law, regulations, tariff, contract or agreement that may be applicable, and does not require special authority in terms of any law, regulation or National Treasury instruction.

In the circumstances, the accuracy and completeness of Kshs.10,049,642 for use of goods and services could not be confirmed.

## **3. Unauthorized Employees Costs**

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.5,556,845 relating to employees' costs. However, payment vouchers for expenditure totalling Kshs.1,294,864 were not authorized by the accounting officer or officers delegated by him.

In the circumstances, the propriety and accuracy of expenditure amounting to Kshs.1,294,864 could not be confirmed.

#### **4. Unprocedural Recruitment**

During the year under review, the Council recruited seven (7) employees on contract terms to different positions. According to documents provided for review the Council approved recruitment of twelve (12) employees. However, the approval did not specify the positions to be filled or qualifications for the said vacancies. Further, there were no documents to indicate that the positions were advertised.

In the circumstances, Management was in breach of the Human Resource Policies and Procedures Manual for the Public Service.

#### **5. Unremitted Tax Deductions on Board of Directors Allowances**

The statement of financial position and as disclosed in Note 14 to the financial statements, reflects trade and other payables amounting to Kshs.4,870,209 which includes a balance of Kshs.1,105,750 in respect to accrued board expenses. Included in the latter amount is Kshs.657,000 in respect of unpaid income tax on Board allowances. According to Management, the Council Members had not submitted their Personal Identification Numbers (PIN) and thus remit the tax deducted on their allowances could not be remitted to Kenya Revenue Authority (KRA).

In addition, penalties accruing from delayed remittances were not disclosed in the financial statements. According to Section 72D of the Income Tax Act, CAP 470 where any amount of tax remain unpaid after the due date, a penalty of twenty percent of the amount due shall immediately become due and payable.

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

#### **6. Lack of Imprest Management System**

The statement of financial performance reflects expenditure amounting to Kshs.18,607,772 in respect of project expenses which were incurred through imprests issued for various activities. However, the imprests were not based on approved memorandums contrary to Regulation 91(2) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that an officer authorized to hold and operate an imprest shall make formal application for the imprest through an imprest warrant.

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

#### **7. Non-Compliance with the Public Procurement and Asset Disposal Act, 2015**

During the year under review, the Management did not have an approved Procurement Plan or an Ad Hoc Evaluation Committee in place to oversee procurement activities. This was contrary to the provisions of Public Procurement and Assets Disposal Act, 2015. Section 53(2) which provides that an Accounting Officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual

budget preparation process. In addition, Section 46(1) of the Act which provides that an Accounting Officer shall ensure that an ad hoc evaluation committee is established from within the members of staff, with the relevant expertise.

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

## **8. Weaknesses of the Warehouse Receipt System**

The statement of financial position reflects intangible assets balance of Kshs.4,940,000. The assets include an electronic Warehouse Receipt Information System acquired in January, 2021 at a contract sum of Kshs.5,350,000. Review of documents relating to the contract revealed that an amount Kshs.4,530,000 out of the contract sum of Kshs.5,350,000 was paid during the year. In addition, the system was procured using direct procurement method. However, no documents were provided to support the basis of using direct procurement method as required under Section 103(2) of the Public Procurement and Asset Disposal Act, 2015.

Further, the deliverables stated in the contract comprised supply and install real time receipt issuing system; a secure central registry capable of real time handling of warehouse receipts; a registry; and documentation on how the system works. Physical verification of the system revealed the following anomalies :

- i. The system was not real time as indicated as the central registry was not able to directly access data from the warehouses and users had to rely on the warehouse operators to send them reports.
- ii. Passwords and security of the system were controlled by National Cereals and Produce Board (NCPB) and not the WRSC.
- iii. The WRSC did not have a verification mechanism or controls to confirm that the data fed by the warehouse operators was correct before issuing certificates.
- iv. In the warehouses, WRSC module was hosted inside the navigation system that belongs to the NCPB with no documents were provided to support the agreement for the same between NCPB and WRSC.
- v. The transfer agreement between the farmers and the NCPB in Kitale was not properly documented as the name of the Silos Manager was indicated instead of his title as NCPB Silo Manager thus reflecting that he was the one who had purchased the maize and not NCPB.
- vi. The minimum requirement of 100 bags for farmers to qualify to be registered in the warehouse was not practical as most farmers were unable to reach the target.
- vii. The stores were empty and thus value for money was not being achieved by the Council.

In the circumstances, the Council did not obtain value for money from the procurement of the system.

## **9. Lack of a Reliable Management Information System**

The Council uses Microsoft Excel program to process data for accounts payables, receivables, inventory control, cash book and staff payroll. However, the program is not supported and is not integrated to the Council's operations and lacks data security and access features.

In the circumstances, the effectiveness of the IT internal control systems could not be confirmed.

## **10. Lack of Risk Management Policy**

Review of operational systems at the Council revealed that Management had not put in place risk management policy and risk mitigation strategies. Therefore, it was not clear how risk exposures are managed by the Management. The omission contravened Regulation 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism, and develops a system of risk management and internal control that builds robust business operations.

In the circumstances, existence of an effective risk management measures could not be confirmed.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the Lawfulness and Effectiveness in the Use of Public Resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

I do not express a conclusion on the Effectiveness of Internal Controls, Risk Management and Governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is



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

In preparing the financial statements, Management is responsible for assessing the Council's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Council or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Council'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**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness

in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Warehouse Receipt System Council 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

22 September, 2022



### 13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

The notes set out on pages 5-10 form an integral part of these Financial Statements.

	Notes	2020-2021
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from other governments entities	5	52,153,832
Fees	6	5,000
<b>Total Revenue</b>		<b>52,158,832</b>
<b>Expenses</b>		
Use of goods and services	7	10,049,642
Employee costs	8	5,556,845
Board Expenses	9	5,173,827
Depreciation expenses	12	1,503,417
Repairs and maintenance	10	541,184
Project expenses	11	18,607,772
<b>Total expenses</b>		<b>41,432,686</b>
<b>Surplus/deficit before tax</b>		<b>10,726,146</b>
Taxation		-
<b>Surplus/(deficit) for the period/year</b>		<b>-</b>
Remission to National Treasury		-
<b>Net Surplus for the year</b>		<b>10,726,146</b>

The Financial Statements set out on this page were signed on behalf of the Board of Directors by:

  
Signed: \_\_\_\_\_

**Accounting Officer**

Name: Samuel Ogola

Date: 20<sup>th</sup> June 2021

  
Signed: \_\_\_\_\_

**Finance and Accounts**

Name: Cecilia Muthoni

ICPAK Member Number: 24029

Date: 20<sup>th</sup> June 2021

  
Signed: \_\_\_\_\_

**Chairperson of the Council**

Name: Jane M. Ngige

Date: 20<sup>th</sup> June 2021

### 14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021





Warehouse Receipt System Council  
Annual Reports and Financial Statements For the year ended June 30, 2021.

	Notes	2020-2021 Kshs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	15	5,348,906
Receivables	16	16,360
<b>Total Current Assets</b>		<b>5,365,266</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	12	5,291,089
Intangible assets (WIP)	13	4,940,000
<b>Total Non- Current Assets</b>		<b>10,231,089</b>
<b>Total Assets</b>		<b>15,596,355</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	14	4,870,209
<b>Total Current Liabilities</b>		<b>4,870,209</b>
<b>Non-Current Liabilities</b>		
<b>Total Non- Current Liabilities</b>		<b>-</b>
<b>Total Liabilities</b>		<b>4,870,209</b>
<b>Net assets</b>		
Reserves		-
Accumulated surplus/deficit		10,726,146
Capital Fund		-
<b>Total Net Assets</b>		<b>10,726,146</b>
<b>Total Net Assets and Liabilities</b>		<b>15,596,355</b>

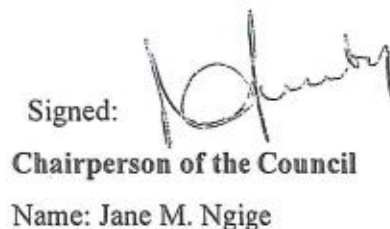
The Financial Statements set out on this page were signed on behalf of the Board of Directors by:

Signed:   
**Accounting Officer**  
Name: Samuel Ogola

Date: 20<sup>th</sup> June 2021

Signed:   
**Finance and Accounts**  
Name: Ceciliah Muthoni  
ICPAK Member Number: 24029

Date: 20<sup>th</sup> June 2021

Signed:   
**Chairperson of the Council**  
Name: Jane M. Ngige

Date: 20<sup>th</sup> June 2021

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**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		2020-2021
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other governments entities	5	52,153,832
Fees	6	5,000
<b>Total Receipts</b>		<b>52,158,832</b>
<b>Payments</b>		
Use of goods and services	7	10,049,642
Employee costs	8	5,556,845
Remuneration of directors	9	5,173,826
Repairs and maintenance	10	541,184
Project expenses	11	18,607,772
Trade payables	14	(4,870,209)
Receivables	16	16,360
<b>Total Payments</b>		<b>35,075,420</b>
<b>Net cash flow from operating activities</b>		<b>17,083,412</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	12&13	(11,734,505)
<b>Net cash flows from/(used in) investing activities</b>		<b>(11,734,505)</b>
<b>Cash flows from financing activities</b>		-
<b>Net cash flows from /(used in) financing activities</b>		-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,348,907</b>
Cash and cash equivalents at 1 JULY 2020		-
<b>Cash and cash equivalents at 30 JUNE 2021</b>	<b>15</b>	<b>5,348,907</b>

The Financial Statements set out on this page were signed on behalf of the Board of Directors by:

  
Signed:  
Accounting Officer  
Name: Samuel Ogola

Date: 20<sup>th</sup> June 2021

  
Signed:  
Finance and Accounts  
Name: Cecilia Muthoni  
ICPAK Member Number: 24029

Date: 20<sup>th</sup> June 2021

  
Signed:  
Chairperson of the Council  
Name: Jane M. Ngige

Date: 20<sup>th</sup> June 2021



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**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings Kshs	Proposed dividends	Capital/ Development Grants/Fund Kshs	Total Kshs
As at July 1, 2020	-	-	-	-	-	-	-
Surplus/ Deficit for the year	-	-	-	10,726,146	-	-	10,726,146
Capital/Development grants received during the year	-	-	-	-	-	-	-
As at June 30, 2021	-	-	-	10,726,146	-	-	10,726,146

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2021**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from other governments entities	50,000,000	52,153,832	102,153,832	52,153,832	50,000,000	51.05
Fees	-	-	-	5,000	5,000	-
<b>Total income</b>	<b>50,000,000</b>	<b>52,153,832</b>	<b>102,153,832</b>	<b>52,158,832</b>	<b>49,995,000</b>	<b>51.06</b>
<b>Expenses</b>						
Use of goods and services	6,562,300	7,213,852	13,776,152	10,590,826	3,185,326	76.88
Employee costs and Remuneration of directors	-	15,000,000	15,000,000	10,730,671	4,269,329	71.54
Acquisition of assets	24,460,000	16,440,000	40,900,000	11,734,505	29,165,495	28.69
Project expenses	18,977,700	13,500,000	32,477,700	18,607,772	13,869,928	57.29
Depreciation expense	-	-	-	1,503,417	(1,503,417)	
<b>Total expenditure</b>	<b>50,000,000</b>	<b>52,153,852</b>	<b>102,153,852</b>	<b>53,167,191</b>	<b>48,986,661</b>	
<b>Surplus for the period</b>				<b>-1,008,359</b>		

**VARIANCE ANALYSIS**

**Revenue**

The Council received certification fees for five warehouses for the Certificates of Conformity that had not been budgeted for but recognized as income since it was earned during the financial period.

The Council expected funding from GoK of Kshs. 50 million but during the financial period, an additional allocation from other Government entities was received and thus the budget was revised



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and approved for implementation by the Council Members. As per the revised budget, the Council expected Kshs. 102,153,832 but had only received Kshs. 52,153,832 as at 30<sup>th</sup> June 2021. This affected the Council's expenditure in all areas as it only achieved to undertake activities that could be paid from the available funds. The most affected budget lines were:

**Acquisition of assets**

The Council had planned to engage a consultant to undertake needs assessment and start on the development of the Central Registry and e-WRS at Kshs. 10.5 million, acquire an ERP system at Kshs. 6.4 million and acquire a motor vehicle at Kshs. 10 million but this was not possible due to financial constraints.

**Project expenses**

Included in the project expenses budget was Kshs. 13.5 million for development of the Council's Strategic plan which was not achieved in the FY 2020/21 due to lack of funds.

**Depreciation expenses**

The Council had not factored in the depreciation costs for its assets during the closure of the financial year and thus the negative variance.

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

### **1. General Information**

The Warehouse Receipt System Council is established by and derives its authority and accountability from Section 3 of the Warehouse Receipt System Act No. 8 of 2019. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Council's principal activity is to facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities produced in Kenya.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions.

The financial statements have been prepared and presented in Kenya Shillings (Kshs.) which is the functional and reporting currency of the Council.

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The financial statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act, Warehouse Receipt System Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to the year under review as WRSC is a new entity.

**3. Adoption of New and Revised Standards**

The entity did not early-adopt any new and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2021. These were; IPSAS 41 Financial Instruments, IPSAS 42 Social benefits and IPSAS 30 have been amended but not yet applicable since they are effective January, 2023.

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**Fees**

The Council recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, income is recognized instead of revenue.

**Transfers from other government entities**

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

**b) Budget information - IPSAS 24**

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

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**c) Taxes**

The Council is a State Corporation, funded from government grants and does not have other significant sources of income and is registered for PAYE and Income taxes

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation. 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 Council is yet to develop its asset management policy but for accounting purposes has adopted the standard depreciation rates that will also be in it's policy, on straight line basis:

Asset	Depreciation Rate	Useful Life
Buildings	2.50%	40yrs
Plant & Equipment	12.50%	8yrs
Automobiles	25.00%	4yrs
Computers	33.30%	3yrs
Office and Communication Equipment	12.50%	8yrs
Furniture, Fixtures & Fittings	12.50%	8yrs
Intangible	20%	5yrs

**e) Intangible assets**

Intangible assets acquired by the Council are recognized at cost with no amortization. This is because they were still work in progress though expenditure was incurred in the financial year.

**f) Cash and cash equivalents**

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

**g) Subsequent events**

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

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**h) Accounting Policies, Changes in Accounting Estimates and Errors - IPSAS 3**

The Council shall apply IPSAS 3 in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors. WRSC shall correct (where practicable) material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery.

**i) Events after the Reporting Period**

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

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

**j) Ultimate and Holding Entity**

The Council is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Co-operatives. Its ultimate parent is the Government of Kenya.

**5. Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Entity sending the grant	Amount recognized in Statement of Financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognized in capital fund. Kshs	Total transfers 2020/21 Kshs
State Department for Crop Development and Agricultural Research	37,153,832		-	37,153,832
Agriculture and Food Authority	15,000,000			15,000,000
<b>Total</b>	<b>52,153,832</b>		<b>-</b>	<b>52,153,832</b>

**6. License Fees**

Description	2020-2021 KShs.
Fees for Certificates of Conformity	5,000
<b>Total</b>	<b>5,000</b>



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The fee is charged for inspection of warehouses for issuance of certificate of conformity. 5 NCPB stores were issued with the certificate during the FY.

**7. Use of Goods and Services**

This related to expenditure on the operationalization of the Council.

Description	2020-2021
	Kshs
Domestic travel and subsistence	4,170,766
Software licenses	3,169,990
Fuel expenses	406,174
Office stationery	361,713
Newspapers, airtime	523,892
Emails	324,900
Staff welfare	646,527
Computer accessories	391,100
Bank charges	54,580
<b>Total</b>	<b>10,049,642</b>

**8. Employee Costs**

	2020-2021
	Kshs
Salaries and monthly allowances	4,297,296
Statutory deductions	1,249,949
Employer contribution to NSSF	9,600
<b>Employee costs</b>	<b>5,556,845</b>

The monthly allowances are acting and responsibility allowances paid to staff deployed from MDAs.

**9. Board /Council Expenses**

Description	2020-2021
	Kshs
Chairman's Honoraria	880,000
Sitting allowances	1,400,000
Medical Insurance	-
Induction and Retreats	2,634,796
Travel and accommodation	36,400
Other expenses	222,630
<b>Total</b>	<b>5,173,826</b>

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**10. Repairs and Maintenance**

Description	2020-2021
	Kshs
Repairs and maintenance	541,184
<b>Total</b>	<b>541,184</b>

**11. Project expenses**

The Council received development funds for the warehouse receipt system. These expenses were considered relevant to facilitate development and implementation of the same. While the funds were designated as development, they were actually recurrent and were spent as recurrent.

Description	2020-2021
	Kshs
Preparation of HR policy instruments	6,737,050
Communication & sensitization of stakeholders	5,479,302
Training and capacity building of WRSC and VCAs	4,274,390
Operationalization, licensing and compliance	2,117,030
<b>Total</b>	<b>18,607,772</b>

**12. Property, Plant and Equipment**

	Furniture and fittings	Computers	Office equipments	Total
Cost	KShs	KShs	KShs	KShs
1st July, 2020	-	-	-	-
Additions	2,500,756	3,140,400	1,153,349	6,794,505
Transfer/adjustments	-	-	-	-
<b>As at 30<sup>th</sup> June 2021</b>	<b>2,500,756</b>	<b>3,140,400</b>	<b>1,153,349</b>	<b>6,794,505</b>
Depreciation and impairment				
1st July, 2020	-	-	-	-
Depreciation	(312,595)	(1,046,695)	(144,127)	(1,503,417)
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
<b>Net Book Value as at 30<sup>th</sup> June 2021</b>	<b>2,188,162</b>	<b>2,093,705</b>	<b>1,009,222</b>	<b>5,291,089</b>
<b>Net Book Value as at 30<sup>th</sup> June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**13. Intangible Assets**

	Intangible assets
Cost	KShs
1st July, 2020	-
Work in progress	4,940,000
Transfer/adjustments	-
As at 30 <sup>th</sup> June 2021	4,940,000
Amortization	
1st July, 2020	-
Amortization	-
Transfer/adjustment	-
As at 30 <sup>th</sup> June 2021	-
Net Book Value as at 30 <sup>th</sup> June 2021	4,940,000

**14. Trade and Other Payables – This are pending payment as at 30<sup>th</sup> June. 2021**

Payables	KShs
Statutory deductions for June 2021	164,315
Suppliers	2,485,139
Board expenses	1,105,750
Staff claims	1,115,005
<b>Total</b>	<b>4,870,209.00</b>

**15. Cash and Cash Equivalents**

Description	2020-2021
	KShs
Current bank account	5,348,906
<b>Total cash and cash equivalents</b>	<b>5,348,906</b>

**16. Receivables**

Description	2020-2021
	KShs
Staff debtors ( Enock)	16,360
<b>Total cash and cash equivalents</b>	<b>16,360</b>

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**17. Cashflow analysis**

	<b>2020-2021</b>
	<b>KShs</b>
Surplus for the year before tax	10,726,146
<b>Adjusted for:</b>	
Depreciation	1,503,417
<b>Working Capital adjustments</b>	
Increase in inventory	-
Increase in receivables	(16,360)
Increase in deferred income	-
Increase in payables	4,870,209
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>17,083,411</b>





**19. APPENDICES**

**APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the Council Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Warehouse Receipt System	-	GoK	3 years	0	No	Yes

**Status of Projects completion**

	Project	Total project Cost Kshs	Total expended to date Kshs	Completion % to date	Budget Kshs	Actual Kshs	Sources of funds
1	Warehouse Receipt System	250,000,000	25,000,000	10%	75,000,000	25,000,000	GoK

**Notes:**

The Council funding from the ex-chequer was development/capital for the establishment and implementation of the Warehouse Receipt System as a project. The system is being obtained from East Africa Grain Council, who are customizing and configuring the modules for use by WRSC. This was still work in progress as at 30<sup>th</sup> June, 2021.





**APPENDIX II: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>				
<b>Break down of Transfers from the State Department of Crop Development and Agricultural Research as at 30<sup>th</sup> June, 2021</b>				
<b>FY 2020/2021</b>				
<b>a.</b>	<b>Development Grants</b>			
		<b><u>Bank Statement</u></b> <b><u>Date</u></b>	<b><u>Amount</u></b> <b><u>KShs</u></b>	<b><u>Indicate the FY to which</u></b> <b><u>the amounts relate</u></b>
		19/10/2020	25,000,000	2020/2021
		<b>Total</b>	<b>25,000,000</b>	
<b>b.</b>	<b>Donor Receipts</b>			
		<b><u>Bank Statement</u></b> <b><u>Date</u></b>	<b><u>Amount</u></b> <b><u>KShs</u></b>	<b><u>Indicate the FY to which</u></b> <b><u>the amounts relate</u></b>
		20/11/2020	12,153,832	2020/2021
		<b>Total</b>	<b>12,153,832</b>	

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



**APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Name of the MDA/Donor or Transferring the funds	Date received			Where Recorded/recognized					
	as per bank statement	Nature: Recurrent/ Development /Others	Total Amount Kshs	Statement of Financial Performance Kshs	Capital Fund Kshs	Deferred Income Kshs	Receivable Kshs	Others - must be specific Kshs	Total Transfers during the Year Kshs
Agriculture and Food Authority	24/05/2021	Recurrent	15,000,000	15,000,000	0	0	0	0	15,000,000
<b>Total</b>			<b>15,000,000</b>	<b>15,000,000</b>					<b>15,000,000</b>



