

REPUBLIC OF KENYA



	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 MAR 2023	DAY:
REPORT BY:	Hon. Samuel Chepkong'o MP on behalf of Majority Leader
CLERK-AT THE-TABLE:	Christine Ndlovu

OF

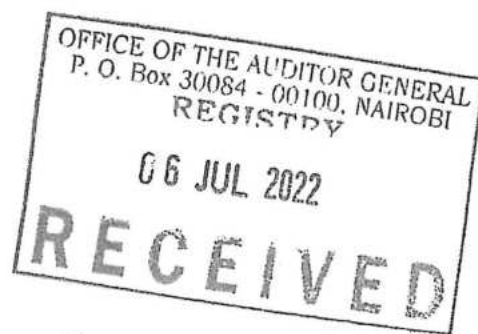
THE AUDITOR-GENERAL

ON

AGRICULTURE AND FOOD AUTHORITY

FOR THE YEAR ENDED
30 JUNE, 2021





AGRICULTURE AND FOOD AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

30TH JUNE 2021

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

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Table of Contents	Page
1. KEY ENTITY INFORMATION AND MANAGEMENT	ii
2. THE BOARD OF DIRECTORS/COUNCIL.....	vi
3. MANAGEMENT TEAM.....	vi
4. CHAIRMAN'S STATEMENT	xiii
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xiii
6. STATEMENT OF AGRICULTURE AND FOOD AUTHORITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021.....	xiv
7. CORPORATE GOVERNANCE STATEMENT	xvii
8. MANAGEMENT DISCUSSION AND ANALYSIS	xvii
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xix
10. REPORT OF THE DIRECTORS.....	xxiv
11. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxv
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF AGRICULTURE AND FOOD AUTHORITY	xxvi
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021 ..	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021	2
15. STATEMENT OF CHANGES IN NET ASSETS	3
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021	5
18. NOTES TO THE FINANCIAL STATEMENTS	8
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	47
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY	51

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

Vision, Mission and Core Values

Vision:

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

Mission:

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

Motto:

“Our Crops, Our Wealth”

Core Values:

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

(b) Principal Activities

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

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

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

(c) Key Management

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

Director General
Management

(d) Fiduciary Management

The key management personnel who held office during the period starting from 1st July 2020 to 30th June 2021 and who had direct fiduciary responsibility were:

MANAGEMENT

No.	DESIGNATION	NAME
1	Acting Director General	Kello Harsama
2	Director - Tea Directorate	Peris Mudida
3	Director - Horticultural Crops Directorate	Benjamin Tito
4	Director - Nuts and Oil Crops Directorate	Dr. Florence Kaibi
5	Director - Fibre Crops Directorate	Solomon Odera
6	Director - Coffee Directorate	Isabella Nkonge
7	Director - Food Crops Directorate	Beatrice Nyamwamu
8	Director- Miraa, Pyrethrum & other Industrial Crops Directorate	James Mutia
9	Director - Sugar Directorate	Rosemary Owino
10	Director -Finance	Elias Kiragu
11	Director - Corporate Planning, Strategy and Enterprise Risk Management	Patricia Njeru
12	Director -Internal Audit	Isaac Meto
13	Director -Legal Affairs	Andrew O. Osodo
14	Director -Human Resource	Kibwana Mataka
15	Deputy Director-Corporate and Communications	Christine Chesaro
16	Acting Deputy Director -Supply chain	Mary Mkamburi
17	Acting Deputy Director -ICT	Stephen M. Wanjala

(e) Fiduciary Oversight Arrangements

Parliamentary Committee Activities

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

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Public Procurement Oversight Authority (PPOA)

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

Office of the Auditor General (OAG)

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

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

**Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

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

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

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

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS/COUNCIL

The Authority did not have a Board of Directors in the financial year 2020/21

3. MANAGEMENT TEAM

During financial year ended 30th June 2021, the following was the management team who oversaw operations of the Authority: -

STAFF DETAILS	RESPONSIBILITY AREA
Beatrice Nyamwamu  • Master of Science in Agricultural Resource Management (U.O.N) • Bachelor of Science in Agriculture (U.O.N) • Strategic Leadership Development Programme (KSG) • Vast knowledge and experience in Public Policy and Agriculture legislation Currently a PhD student in Food Safety (JKUAT)	Current Acting Director General since February 2022 Responsible for the strategic direction and the day-to-day management of the Authority. He is in charge of the exercise, discharge and performance of its objectives, functions and duties, and the general administration of the Authority. The Director General is also the Secretary to the Board of the Authority
Philip Kello Harsama  • Bachelor of Education – Moi University • Master's Degree in Public Administration • Advanced Diploma in Public Administration (Kenya Institute of Administration)	Acting Director General as at 30th June 2021 Responsible for the strategic direction and the day-to-day management of the Authority. He is in charge of the exercise, discharge and performance of its objectives, functions and duties, and the general administration of the Authority. The Director General is also the Secretary to the Board of the Authority

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Solomon O. Odera  • Bachelor of Science in Business Administration (Accounting and Financial Management) • Associate, Institute of Bankers (AIB)	Director–Fibre Directorate Responsible for administration of the Crops Act in relation to Fibre and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same
Dr. Florence Kaibi  • PhD, Nutritional Science • Post Graduate Diploma, Food & Nutrition security • MSc, Food, Nutrition & Dietetics • Bachelor of Education	Director- Nuts and Oils Directorate Responsible for administration of the Crops Act in relation to Nuts and Oil Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same
Isabella Nkonge  • Master of Science in Agronomy (2000 -2002 (UoN); • Bachelor of science in Agriculture and Home Economic, (1990) Egerton University; • Diploma in Agriculture and Home Economics, (1985) Egerton University	Director - Coffee Directorate Responsible for administration of the Crops Act in relation to Coffee and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same

Benjamin Tito  • MSc, in Agricultural Production Chains Management from Van Hall Larenstein University of Applied sciences, The Netherlands. • Bachelor of Science degree in Horticulture from (JKUAT); • Diploma in Horticulture (JKUAT);	Director- Horticulture Directorate Responsible for administration of the Crops Act in relation to Horticultural Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same
Peris Mudida  • Bachelor of Laws, LL. B • Post Graduate Diploma in Law • Member of CPSK and advocate of the High Court	Director – Tea Directorate Responsible for administration of the Crops Act in relation to Tea Crop and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same
Beatrice Nyamwamu  • Master of Science in Agricultural Resource Management (U.O.N) • Bachelor of Science in Agriculture (U.O.N) • Strategic Leadership Development Programme (KSG) • Vast knowledge and experience in Public Policy and Agriculture legislation • Currently a PhD student in Food Safety (JKUAT)	Director- Food Directorate Responsible for administration of the Crops Act in relation to Food Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

James K. Mutia  • Masters in Education Management and Leadership • Bachelor of Education, Agriculture and Biology	Director – Miraa, Pyrethrum and other Industrial Crops Directorate Responsible for administration of the Crops Act in relation to Miraa, Pyrethrum and Other Industrial Crops and to promote best practices in, and regulate the production, processing, marketing, grading, storage,
Rosemary Owino  • Bachelor of science (In Agriculture) • Master of Business Administration • MCIM (UK) • MCMI (UK)	Director – Sugar Directorate Responsible for administration of the Crops Act in relation to Sugar Crop and to promote best practices in, and regulate the production, processing, marketing, grading, storage, collection, transportation and warehousing of the same
Andrew M. O. Osodo  • Master of Business Administration (MU), • Bachelor of Laws (UoN), • Post Graduate Diploma in Law (KSL) • Member of ICPSK and advocate of the High Court	Director -Legal Services Responsible for Board's Secretariat and Legal Services

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Elias K. Kiragu  • Master of Business Administration, Finance (UoN); • Bachelor of Business Administration, Accounting (USIU) • Certified Public Accountant of Kenya, CPA(K) • Membership: Institute of Certified Public Accountants of Kenya, ICPAK;	Acting Director – Finance Responsible for Financial Accounting, Financial Management and Financial Reporting
Mary Mkamburi  • Master of Science in Procurement and Logistics (JKUAT) • Bachelor of Purchasing and Supplies Management (JKUAT) • Post Graduate Diploma in Purchasing and Supplies Management (KIM) • Post Graduate Diploma in Procurement and Supply(CIPS) • Licensed Practitioner-Kenya Institute of Supplies Management (KISM) • Member, Kenya Institute of Supplies Management (KISM) • Member, Chartered Institute of Procurement & Supplies (CIPS)	Acting Deputy Director – Supply Chain Responsible for Supply Chain and Procurement and Disposal of unserviceable assets of the Authority
Isaac C. Meto  • Executive Master of Business Administration, • Bachelor of Commerce (Accounting). • Member of Institute of Internal Auditors.	Director -Internal Audit Responsible for assuring Management and the Board that internal control systems are in place and working and that the risk management framework is working in light of management awareness of risks and mitigation measures thereof.

**Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Christine Chesaro Yebei  • Masters in International Relations, • Bachelor of Arts in French & History, • Post Graduate Diploma in Public Relations Management • Member of the Public Relations Society of Kenya	Director-Corporate Communications Responsible for managing Corporate Communications at Agriculture and Food Authority (AFA)
Kibwana K. Mataka  • Masters in Business Administration, Strategic Management • Post graduate diploma in Human Resource Management • Bachelor of Arts, Geography and Government • Certified Human Resource Professional • Member of Institute of Human Resource Management and Kenya Institute of Management	Director -Human Resource Responsible for the Human resource recruitment, development and among others and general administration
Patricia W. Njeru  • Master of Agricultural Economics (UNE, Australia) • Graduate Diploma in Resource Economics (UNE, Australia) • Bachelor of Science, Agricultural Economics (Egerton University) • Project Monitoring & Evaluation • Member, Institute of Economic Affairs	Director – Corporate Planning, Strategy and Enterprise Risk Management Responsible for Implementation, Monitoring and Evaluation of the Authority's Performance under the Strategic Plan and Performance Contracts

Stephen M. Wanjala



- Bachelor of Science (BSc) Information Technology (JKUAT)
- Higher Diploma in Institute for the Management of Information Systems (IMIS) - UK
- CCNA, CCNP, MCSA, MCITP, MCPS, COBIT 5-Foundation, CEH, CISSP
- Member of Computer Society of Kenya, ISACA

Acting Director-ICT

Responsible for aligning ICT's strategy with the Authority's strategy & business process reengineering through automation of the authority's business processes.

4. CHAIRMAN'S STATEMENT

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

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

Agriculture and Food Authority (AFA) was established through an Act of Parliament, the Agriculture and Food Authority Act of 2013. The mandate of the Authority is to regulate, develop and promote Scheduled Crops for increased economic growth and transformation in Kenya. This is achieved through capacity building, development and enforcement of regulations and market research and product development.

To enable the Authority focus on its Mandate, AFA developed a five-year Strategic Plan 2017-2022, to guide the delivery of its mandate. The strategic plan has been reviewed and aligned to the Constitution of Kenya 2010, Vision 2030 and the Big 4 Agenda. Strategic goals include boosting agricultural productivity and growth, upgrading Kenya's agricultural value chains for job creation and income generation, enhancing market access and integration into global value chains, establishing standards and enforcement of regulations and strengthening AFA's institutional framework to enable it effectively deliver on its mandate.

Following the coming into effect of the AFA Act and Crops Act in 2013, the Ministry of Agriculture, Livestock, Fisheries and Cooperatives and the Authority in consultation with County Governments and relevant stakeholders developed crop-specific Regulations. During the year under review, Horticultural Crops, Fibre Crops, Nuts, Oil Crops, and Sugar Import & Export Regulations were gazetted. Regulations for Coffee, Sugar and Tea Industry were gazetted in the previous year.

Agriculture remained the dominant sector accounting for 23% of the total economy. For the year under review, overall value of marketed agricultural production increased by 9.3% to Kshs. 509.7 Billion from 466.3 Billion. Tea Production increased by 24.1% from 458.8 Thousand tons to 569.5 Thousand Tons. The volume of cane deliveries rose from 4.4 Million to 6 Million Tons. Coffee production and Horticultural exports declined by 18% and 4.5% to stand at 36.9 and 313.6 Thousand tons respectively. However, earnings from horticultural produce increased by 3.9% to stand at Ksh. 150.2 Billion attributed to better international export prices. (Economic Survey 2021).

The Covid-2019 pandemic caused global economic shock and disruptions of input supply, labour movements, harvesting, processing and the produce access to markets. These disruptions had far-reaching implications on the value of marketed scheduled crops. Some of the other challenges that continued to affect the Authority's performance during the year under review included lack of a substantive Board, financial constraints and inadequate technical staff.


.....
BEATRICE NYAMWAMU
ACTING DIRECTOR GENERAL

6. STATEMENT OF AGRICULTURE AND FOOD AUTHORITY'S PERFORMANCE

AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

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

Pillar 1: Operational Excellence

Pillar 2: Stakeholder Focus

Pillar 3: Transformational Regulation

AFA develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2020/2021 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Operational Excellence	Strengthening AFA's institutional framework to effectively deliver on its mandate	- Enhanced AFA Budget - MoU with sector partners - Approved Training Plan	- Develop AFA's internal capacity - Compliance to the legal & regulatory frameworks - Adopt prudent financial management practices - Enhance capacity building - Formulate a comprehensive stakeholder engagement strategy	- Staff training as per the Training Plan - Quarterly risk assessment reports - Deployment of Crops Inspectors to major Border points
Pillar 2: Stakeholder Focus	Boost agricultural growth and productivity for food & nutrition security	- Signed collaboration frameworks and MOUs - Capacity needs assessment reports	- Undertake technical capabilities of Counties - Distribution of quality planting materials	- Counties capacity needs assessments - Capacity building of County agricultural staff

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

		▪ Number of county agricultural officers trained ▪ Number of seedlings produced and distributed	▪ Development and implementation of collaboration frameworks and Memoranda of Understanding (MOUs) with various stakeholders in delivering the mandate of the organization.	▪ Quality planting materials /seedlings distributed Robusta Coffee seedlings (70,0000); set up model nurseries – Coconut in Kwale and Kilifi and Cashew nut in Tharaka Nithi and Makueni counties
	▪ Upgrading Kenya's agricultural value chains for job and income creation ▪ Market access and integration into global value chains	▪ TEASOKO and Miwa Bora mobile Applications	▪ Develop an online Platform for Buying Premium Kenyan Tea – TEASOKO ▪ Develop Miwa Bora App; an android based mobile application for disseminating information to stakeholders ▪ Build the capacity of County Agriculture staff and Lead Farmers on the management of selected pests of economic importance: fruit fly in Mango, quarantine pests in Avocado and capsicum; Spotted Wing Drosophilla in Berries	▪ Buyers have access to premium Kenyan Tea at one's convenience and producers access to the global tea market ▪ Better access by stakeholders to sugar industry information ▪ Improved management of pests and diseases for better yields and market access ▪ Linkages for investment opportunities in value addition

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

			▪ Capacity building of county staff on market access and value addition opportunities	
Pillar 3: Transformational Regulation	Establish and enforce agriculture sector regulations	▪ Gazetted Regulations ▪ Coffee Regulations, Standards and Codes of Practice ▪ Compliance reports	▪ Gazettement of Regulations for Horticulture, Fibre crops, Sugar Imports and Exports, and Nuts and Oil Crops ▪ Capacity building for Coffee stakeholders on the reviewed Coffee standards, the industry code of practice and Coffee Regulation, 2019 ▪ Review the Tea Industry Code of practice: KS 2128 to include new processes and address any emerging concerns ▪ Quarterly & adhoc border points inspections and surveillance for traded scheduled crops products	▪ Improved self-regulation in the Coffee Sector

7. CORPORATE GOVERNANCE STATEMENT

The Board of the Agriculture and Food Authority known as the Interim Management Committee was appointed by the Cabinet Secretary for Agriculture, Livestock and Fisheries on 7th November 2016 vide gazette Notice No. 9637 for a period of one year. However, the term of the Interim Management Committee expired in November 2017. Currently the Authority does not have a Board. Management is handling the Board matters in consultation with the Parent Ministry.

The Management of the Authority continues to comply with Corporate Governance guidelines and the Mwongozo Code of Governance for State Corporations. The Management recognizes the fundamental role of corporate governance in enhancing the culture and performance of the Authority and further, that high standards of corporate governance are a key contributor to the long term success of the Authority.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the financial year 2020-2021, the Agriculture and Food Authority - AFA continued to undertake programmes to promote production and productivity of various scheduled crops in line with its mandate, as provided for under the AFA and Crops Acts. In addition to routine regulatory services and market development, the Authority focused on the review and development of Standards and Codes of Practice for Coffee, and gazetting of Regulations for Nuts and Oil Crops; Horticultural Crops; Fibre Crops and Sugar Imports and Exports. The Authority also engaged the County Government and other stakeholders in mapping of the Stevia and Bambara Nuts value chains, which were recently gazetted as Scheduled Crops.

The other key activities undertaken during the Financial Year 2020-2021 were in accordance with the Authority's mandate on Regulation and Compliance, Technical and Advisory as well as Market Research and Product Development. Unlike previous years where the Market Research and Product Development activities dominated the Authority's budget, this year, Regulations and Compliance activities topped the list. These activities included public participation for the development of Regulations for Nuts and Oil Crops, Fibre Crops, Horticultural Crops, and Sugar Imports and Exports Regulations; Regulatory Impact Assessments; review of Standards and codes of practice for the Tea and Coffee industries; deployment of border post crop inspectors; and stakeholder sensitization forums, all expected to improve acceptance, self-regulation and compliance to the law.

Technical and Advisory Services undertaken during the year focused on realization of the Government's Big 4 Agenda on Food and Nutrition Security. AFA, in collaboration with the County Government and other stakeholders undertook capacity building on the management of notifiable pests of economic importance – Fruit fly in Mango, Quarantine pests in Avocado and capsicum and the Spotted Wing Drosophilla in Berries. Towards offering support for the Big 4 Agenda, the Authority has during the contract period, supported the propagation of Tree nut seedlings, through setting up model coconut nurseries in Kilifi and Kwale and cashewnut in Tharaka-Nithi and Makueni

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

counties to showcase GAPs in these two crops, as a means of promoting the value chains; and Robusta Coffee production in the Western and Lake Regions.

Market Research and Product Development activities centred on developing strategies for market exploration and expansion for scheduled crops; capacity building of county staff on market access and value addition opportunities for investors in horticultural crops – Avocado, Herbs and Spices, traditional vegetables, Pineapple and French beans. In order to mitigate the negative impacts of the Covid – 19 pandemic on physical contact, the Authority has developed and rolled out two mobile applications – Miwa Bora for information sharing by sugar stakeholders; and TeaSoko, where Buyers have access to premium Kenyan Tea at one's convenience and producers have access to the global Tea market.

In the financial year 2020-21, the Authority increased the budget allocated to its core mandate to Kshs. 587.6 Million from Kshs. 550.6 Million in the previous year. This allocation was as follows: Kshs. 105 Million for Regulation and Compliance, Kshs. 117.5 Million for Technical and Advisory, Kshs. 178 Million for Market Research & Development and Kshs. 187 Million for the Cotton Revitalization programme and special projects. The budget allocation aimed at enhancing service delivery to stakeholders and making the Authority's programmes more impactful to the society.

In the period under review, Government grants were availed to upgrade the two Cane Testing Units (CTUs) in Nzoia and South Nyanza Sugar Companies, to bring them to an operable state. Other CTU related activities were hampered by lack of funds. These include the installation of back-up generators to stabilize power supply; and Certification of the CTU Laboratories. Apart from the challenges of late disbursement of funds, the effects of the COVID-19 pandemic and poor rains interfered with the Authority's plan to ensure the production of targeted quantity of cotton. The cotton revitalization project was expected to yield 186,000 Bales of lint by the end of 2021-2022 Financial year. Each bale comprises 185 Kg of cotton lint. As at the end of the review period, performance was dismal, with only 10,000 Bales of cotton lint realized. While hybrid seed was imported and distributed, drought conditions in the eastern and coastal regions resulted in crop failure. Hybrid cotton requires more moisture than the resilient low yielding conventional varieties. Moving forward, the Authority intends to work closely with KALRO, in cleaning and certifying the local cotton seed varieties - HART and KSA, in order to ride on their resilience and improve on yield.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

AFA do not have a specific Sustainability Strategy but interventions to ensure sustainability are mainstreamed in AFAs enforcement of various legislations governing the scheduled crops as well as the Good Agricultural and Manufacturing practices. Also, the Authority undertakes routine monitoring of projects to ensure sustainability and brings to the attention of management, areas of weakness.

ii) Environmental performance

We do not have a specific Environmental Policy but ensure full implementation of governments guidelines as issued from time to time. Additionally, in light of the challenges presented by climate change, the Authority through its Technical and Advisory services is engaged in sensitisation and capacity building of counties on Climate Smart Agriculture.

iii) Employee welfare

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

The Authority in an effort to improve staff skills and competencies has put in place a Training Policy, which provides the structure for training approvals. This structure includes a Training Committee with representation from Directorates and all functional heads. This Committee is supported by sub-committees in each Directorate. Through these sub-committees, the Authority undertakes annual training needs assessment, which informs the decisions regarding staff training in each Financial Year.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

The Performance Appraisal Process has incorporated the training needs element. Through the training plan, the Authority has been able to build leadership, management, supervisory and technical capacity of staff in the various functions. During the FY 2020/21, 405 Officers were trained in various disciplines.

The Authority through Horticultural Crops Directorate is also in partnership with the Japanese SHEP UP project which sponsors staff to undergo skills development training in Agriculture, specifically under horticulture.

The Authority also encourages staff to join professional membership associations and pays annual subscriptions to support the staff through their chosen career paths, facilitates each member of a professional body to attend CPD points earning conferences, seminars, congresses and workshops, to appraise themselves with the developments in each professional area.

Health & Safety

The Authority recognizes that a healthy workforce contributes to the productivity of the organization. It therefore invests in the welfare of its employees through the provision of a Medical scheme that caters for all the medical needs of the employees and immediate families.

The Authority has also put in place Insurance cover for staff such as medical, WIBA/GPA and Public Liability Cover. The Insurance cover is to address any illnesses, accidents or injuries which may arise in the course of their duty. The WIBA/GPA 24-hour cover comes into play to compensate the specific staff as provided in the WIBA Act.

The Authority has an OSH policy that guides in the undertaking of Safety and Health matters through the OSH Committee and sub-committees. The main objective of this Policy is to ensure the work environment is conducive for staff, as required in the OSHA 2007 Act. The Authority ensures that the OSH Committee, First Aiders and Fire Marshalls are appointed and trained annually to equip them with the necessary skills to enable them execute their roles.

Youth & Gender:

The 2030 vision for gender, youth and vulnerable groups seeks to ensure gender equity in power and resource distribution, improved livelihoods for all vulnerable groups, and responsible, globally competitive and prosperous youth. In line with this, AFA has:

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

iv) Market place practices-

a) Responsible competition practice.

Compliance to the Competition law and full collaboration with the Competition Authority in the event of any challenges. Additionally, AFA has a Customer Service Charter with customer expectations. This is constantly monitored to ensure that our stakeholders are satisfied.

b) Responsible Supply chain and supplier relations

Full adherence to the Public Procurement and Disposal Act and all supporting legislation. The staff of the supply chain department are constantly trained for compliance and updating on best practices. Any issues raised by the Public Procurement Authority are promptly addressed. The Authority also undertakes regular capacity building of the public of the procurement processes and opportunities available.

c) Responsible marketing and advertisement

AFA has a robust corporate risk management framework that is constantly monitored and updated. This tool enables the Authority stay on course with regard to ethical practices. AFA also has a complaints handling procedure that is widely publicised through the AFA website and field activities. Complaints are expeditiously resolved.

d) Product stewardship

AFA safeguards consumer interests through the development, gazettment and enforcement of Industry Codes of Practice and product standards.

v) Corporate Social Responsibility / Community Engagement

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

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

1) Donation to Sigowo Primary School-Baringo County.

The Authority received a request from Sigowo Board Primary School in Baringo County for donation of water tanks. Towards this, AFA donated Kshs. 180,000 to enable them procure two 10,000 Litre water tanks.



2) Donation Ncuui Primary School- Meru County

The Authority received a request from MCS Ncuui, a public Primary School in Meru County, to support the renovation of classroom roof, which was leaking. AFA made a donation of Kshs. 300,000.00 towards the purchase of iron sheets and roof repair. Upon completion of the repairs, the School invited a team from AFA for a handing over ceremony. In keeping with the Covid-19 containment measures, we did not send the team to visit the school. A visit shall be scheduled later when the conditions will be conducive.

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

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

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

3) Mwithanga Irrigation Project- Meru County

AFA received a request from Mwithanga irrigation project – a community development project comprising of 600 small-scale farmers in Nkomo ward, Tigania west sub-county, Meru County. This being a noble cause that will contribute towards increased production and productivity, AFA made a donation of Kshs. 600,000 towards the purchase of irrigation materials and installation.

10. REPORT OF THE DIRECTORS

AFA management submits the annual report and financial statements for the year ended June 30, 2021 for audit. It comprises the performance and state of affairs of the Agriculture and Food Authority for twelve months in Accordance with the International Public Sector Accounting Standards and the Public Finance Management (PFM) Act, 2012.

i) Principal activities

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

ii) Results

The results of the Agriculture and Food Authority for the year ended June 30, 2021 are set out on page 1 and 7 herein.

During the year under review, the Authority received a total revenue of Kshs. 2.618 Billion from Government grants and internally generated sources. From this revenue, the Authority applied Kshs. 2.77 billion in its programmes thus giving a deficit of Kshs. 145.77 million

The Authority has a total asset of Kshs.17.26 Billion and total liabilities of Kshs. 1.944 Billion thus giving a net asset of Kshs 15.32 Billion

iii) Directors

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

iv) Surplus Remission

In accordance with Regulation 219 (2) of the Public Financial Management Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Agriculture and Food Authority did not make any surplus during the FY 2020-2021 and hence no remittance to the Consolidated Fund.

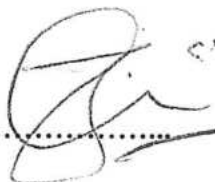
Auditors

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

By order of Management

Name: **Andrew O. Osodo**
Corporate Secretary

Signature



Date

30/06/2022

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Approval of the financial statements

AFA's financial statements were approved by management on **28th September 2021** and signed on its behalf by:

Signature.....

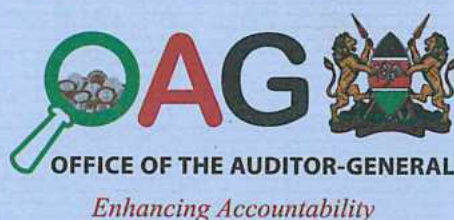
Name: Beatrice Nyamwamu
Acting Director General

Signature.....

Name: Elias Kiragu
Acting Director Finance

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AGRICULTURE AND FOOD AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

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

Adverse Opinion

I have audited the accompanying financial statements of Agriculture and Food Authority set out on pages 1 to 50, which comprise 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Agriculture and Food Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Cash and Cash Equivalents

1.1. Variance in Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.2,611,083,000. However, Note 20(a) to the financial statements reflected a total cash and cash equivalents balance as Kshs.2,611,607,836 resulting in an unreconciled and unexplained variance of Kshs.524,836.

1.2. Authority to Operate Bank Accounts

As previously reported, the Authority continued to operate forty-one (41) bank accounts instead of twenty-three (23) bank accounts contrary to Circular REF: AG.3/88/1/33 dated 17 May, 2018 from The National Treasury. In addition, two bank accounts operated by the Sugar Directorate were ordered closed but were still operational. Further, although the Management provided letters written to banks requesting them to close the unauthorized accounts, acknowledgements of the instructions from the indicated banks were not provided for audit.

1.3. Lost Investment in Euro Bank

The statement of financial position reflects a cash and cash equivalents balance of Kshs.2,611,083,000, which as disclosed at Note 20C to the financial statements, includes fixed deposits of Kshs.1,144,294,172. However, as previously reported, the balance includes fixed deposits of Kshs.52,237,375 that had been placed in Euro Bank, which was placed under receivership in the 1990s. However, Management did not provide evidence of the efforts to recover the amount from the Receiver Managers or make a provision against the balance.

1.4 Investments in Fixed Deposits

The reported cash and cash equivalents balance of Kshs.2,611,083,000 includes Kshs.854,309,032 and Kshs.1,144,294,172 being call deposits and fixed deposits respectively, held in commercial banks, as disclosed at Notes 20 (B) and (C) to the financial statements. This is contrary to The National Treasury Circular Ref.DMD 4/02 'H'

(63) of 26 March, 2018 which directed all State Corporations and Semi-Autonomous Government Agencies (SAGAs) to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries. All funds previously held in fixed deposits in commercial banks / financial institutions were not to be rolled over but retired and invested in Treasury bills / bonds.

Consequently, the regularity and fair statement of the cash and cash equivalents balance of Kshs.2,611,083,000 could not be confirmed.

2. Property, Plant and Equipment

2.1. Unconfirmed Ownership of Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.10,342,549,000 under property, plant and equipment. However, as reported in the previous years, the balance includes the value of properties whose ownership had not been established as explained below:

- (i) The balance includes an amount of Kshs.72,000,000 in respect of land measuring 236.35 hectares in Thika, Kiambu County. However, land measuring 137.2 hectares out of the 236.35 hectares bought with funds from the defunct Coffee Board of Kenya, was registered in the name of a former Chairman. No evidence was provided that ownership of the land had been transferred to the Authority.
- (ii) The reported property, plant and equipment balance includes an amount of Kshs.161,200,000 representing the value of the land on which the defunct Horticultural Crops Development Authority (HCDA) depots stand and for which ownership documents had not been obtained.
- (iii) Included in the reported property, plant and equipment balance is an amount of Kshs.1,280,000,000 in respect of two parcels of land relating to the former Horticultural Crops Development Authority for which the Organization did not have ownership documents. The parcels include a plot situated along Mombasa road, measuring 3.5 hectares valued at Kshs.692,000,000 which was allocated to a private developer even though the Authority holds an allotment letter. Although a ruling by the National Land Commission (NLC) was in favour of the Authority, the private developer had not vacated the land as at the date of the report. Further, the Authority had not obtained ownership documents for the parcel of land at the Jomo Kenyatta International Airport (JKIA) valued at Kshs.588,000,000 where the Horticultural Crops Directorate (HCD) is located.
- (iv) As previously reported, in the year 2000, Horticultural Crops Directorate constructed a depot in Machakos at a cost of Kshs.55,677,000. The depot was one of the seven (7) satellite depots meant for horticultural produce handling facilities (HPHF). Although the facility's sole purpose was to pre-cool horticultural produce and provide market access support for smallholders, the facility was taken over by the County Government of Machakos for office use in 2013 and was no longer accessible to HCD staff. No evidence was provided that the County Government had signed a lease agreement with the Authority for use of the facility.

2.2. Un-Disclosed Land and Buildings

As previously reported, the reported property, plant and equipment balance excludes the value of various assets as explained below:

- (i) The fixed assets register provided for audit revealed that the Authority had excluded ten (10) acres of land situated in Wundanyi, Taveta and land of undetermined acreage situated in Kitui valued at Kshs.36,600,000 and Kshs.4,000,000 and allocated to the defunct Horticultural Crops Development Authority and the defunct Cotton Board of Kenya, respectively. No explanation was provided for the failure to include the two pieces of land in the assets register and the financial statements of the Authority.
- (ii) The reported property, plant and equipment balance excludes seven acres of land in Mtwapa that had been allocated to the defunct Kenya Coconut Development Authority by the defunct Kenya Agricultural Research Institute (KARI). In addition, the ownership had not been transferred by the KARI by the time the Authority ceased to exist upon the commencement of the Crops Act, 2013.
- (iii) The defunct Cotton Board of Kenya had property, plant and equipment with a net book value of Kshs.210,759,785 and investments of Kshs.13,940,758 in Meru Ginnery Limited as at 30 June, 1993. However, the Management has not satisfactorily explained how these property, plant and equipment and investments were accounted for upon the creation of the defunct Cotton Development Authority.
- (iv) The reported property, plant and equipment balance excludes capital expenditure totalling Kshs.2,289,347,764 incurred on the acquisition of eleven (11) Cane Testing Units and Laboratories in the years 2014 to 2018.
- (v) The property, plant and equipment balance of Kshs.10,342,549,000 excludes the value of a property in Riverside Estate where the defunct Cotton Development Authority's head office was located. Information available indicates that the property belonged to the defunct Cotton Board of Kenya and was charged against a bank loan that the Board failed to service. The bank subsequently sold the property for Kshs.21,500,000 through a public auction held in November, 2000.

In addition, records show that the purchaser of the property paid the bank an amount of Kshs.8,375,000 representing the balance of the outstanding loan, upon which the bank released the documents relating to the property to the purchaser. The purchaser thereafter sought to transfer the title to the property in his name before clearing the balance of Kshs.13,125,000. The Board, however, declined to execute the transfer documents and the purchaser filed a case in the High Court in November 2008. Although the case was determined on 25 September, 2015, the Authority has not obtained the ownership documents for the property and consequently, the ownership could not be confirmed.

2.3 Failure to Disclosure the Fair Value of Fully Depreciated Assets

Note 24(c) to the financial statements reflects fully depreciated property, plant and equipment with a cost value of Kshs.957,714,000. As disclosed in Note 4 (ii)(e) on the summary of significant accounting policies, the Authority uses the cost model accounting policy in measurement and recognition of assets. However, though the fully depreciated assets might indicate a possible material variance between the fair value and the carrying value of the assets, the Authority has not disclosed the carrying amount of temporarily idle, fully depreciated, retired from active use and held for disposal property, plant and equipment as required under Paragraph 94 (a) to (d) of IPSAS 17 – Property, Plant and Equipment.

In the circumstances, the accuracy, completeness and ownership status of the reported property, plant and equipment balance of Kshs.10,342,549,000 as at 30 June, 2021 could not be confirmed.

3. Fleet Management

The net book value of Kshs.10,342,549,000 for property, plant and equipment and as disclosed in Note 24 to the financial statements, includes an amount of Kshs.3,684,000 relating to automobiles. However, a review of motor vehicle records held by the Authority revealed the following anomalies:

3.1. Documents of Ownership Not in Custody of the Authority

With the formation of Agriculture and Food Authority in the year 2014 through the Crops Act 2013, various regulatory institutions were merged and some of their functions centralized at the Authority's Head Office. Among these functions is management of the motor vehicle fleet. All ownership documents were to be in the custody the Legal Department at the Head Office. However, as previously reported, after the merger, Management failed to secure all the ownership documents and did not have custody of logbooks for forty (40) motor vehicles.

3.2. Unaccounted for Motor Vehicle

As previously reported, the value of motor vehicle registration number KBG 517C, which was registered in the name of Coffee Research Foundation was removed from the books of accounts of the Authority under unclear circumstances.

3.3. Logbooks in the Name of Defunct Institutions and Boards

On commencement of the Crops Act, 2013 on 1st August, 2014, the former regulatory institutions in the Agriculture Sector were merged into Directorates under the Authority. However, the ownership documents of seventeen (17) motor vehicles were still registered in the defunct Institutions' names. Evidence of Management effort to register the vehicles in the Authority's name was not provided.

3.4. Unreconciled Motor Vehicle Records

The Authority maintained an electronic fixed asset register where all assets had been allocated asset Identification Numbers and where details of the cost of the assets, accumulated depreciation, additions and net book values were provided. However, motor vehicle registration numbers were not included in the fixed assets register. Although a separate list containing motor vehicle registration number, model, location and Directorate was maintained, reconciliation of the two sets of records held by the Authority was not possible hindering physical verification of the location and condition of the vehicles.

In the circumstances, the accuracy, completeness and ownership status of the reported automobiles with net book balance of Kshs.3,684,000 as at 30 June, 2021 could not be confirmed.

4. Unsupported Non-Current Provisions Balance

The statement of financial position reflects non-current provisions of Kshs.326,820,000. As disclosed in Note 31 to the financial statements, the long-outstanding provision relates to long service leave for the Sugar Directorate. However, no supporting schedules, documentation or policy in support of the provision was provided for audit.

In the circumstances, it could not be confirmed that the non-current provisions balance of Kshs.326,820,000 reflected in the financial statements was fairly stated.

5. Trade and Other Payables

5.1. Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.766,592,000 in respect of trade and other payables. As disclosed in Note 27 to the financial statements, the balance includes trade payables amounting to Kshs.677,170,000 of which Kshs.506,589,529 had been outstanding for more than one year. The long-outstanding payables included Kshs.3,536,884, Kshs.22,726,754, Kshs.6,004,733 and Kshs.475,321,156 owed to Coffee Directorate, Horticulture Development Directorate, Sugar Directorate and Headquarters respectively.

No satisfactory explanation was provided for failure to settle the long-outstanding debts.

5.2. Unsupported Deposits in Trade and Other Payables

The trade payables balance of Kshs.677,170,000 included Kshs.99,546,142 owed to Horticultural Crops Directorate which included unclaimed deposits of Kshs.4,298,027 received from clients. However, the deposits had not been classified to client accounts as appropriate.

In the circumstances, the accuracy of trade and other payables balance of Kshs.766,592,000 could not be confirmed.

6. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 22(b) to the financial statements, reflects an amount of Kshs.3,112,161,000 that relates to long-term receivables from exchange transactions and Kshs.440,332,000 relating to current portion of receivables from exchange transactions, all totalling Kshs.3,552,493,000. Included in the balance is Kshs.25,345,000, Kshs.10,680,000 and Kshs.203,215,000 being long-outstanding rent receivables, trade receivables and other trade debtors. In addition, included in the rent receivables balance of Kshs.25,345,000 is an amount of Kshs.18,537,000 being rent receivable from the County Government of Machakos. The amount relates to the HPHF in Machakos which was taken over by the County Government in the year 2014 and converted into offices.

In the circumstances, it has not been possible to confirm the full recoverability of the total receivables balance of Kshs.3,552,493,000.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management did not provide satisfactory reasons for the delay in resolving the prior year audit issues. Further, some unresolved prior year issues are not disclosed under the progress on follow-up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Financial Statements for Staff Car and Mortgage Scheme Funds

The Authority operated Car Loan and Mortgage Schemes whose value was Kshs.773,035,822 as at 30 June, 2021. The total amount relates to Kshs.281,778,806, Kshs.211,308,649, Kshs.236,556,710 and Kshs.43,391,656 for Sugar, Tea, Coffee and Fibre Directorates, respectively. However, although the two schemes have been in operation since the year 2015, the Authority did not prepare financial statements for the Schemes and submit them for audit as required by Circular No SRC/ADM/CIR/I/13/Vol.III (128) of 17th December, 2014 on Car Loan and Mortgage Schemes for State Officers and other Public Officers of the Government of Kenya.

Management was, therefore, in breach of the law.

2. Failure to Operationalize Cane Testing Units (CTU)

The statement of financial performance reflects repairs and maintenance costs totalling Kshs.344,592,000. As disclosed in Note 17 to the financial statements, the amount includes Kshs.301,755,000 on repairs and maintenance of machinery and equipment including Kshs.295,299,387 spent on Cane Testing Units (CTUs) repairs, maintenance and licenses. However, the Authority had not developed the required Regulations to operationalize the CTU Project at an industrial level and therefore the benefits of the CTUs had not been realized since inception.

In addition, and as previously reported, it was not clear whether the CTUs are useful to the Sugar Mills considering that the Sugar Mills have not fully embraced payment to farmers based on sucrose content as envisaged when the Project was initiated. Audit inspection to the cane testing units revealed that the CTUs were operational and maintained but cane testing was voluntary since it was still under the pilot phase. Further, some mills like Chemilil Sugar Company did not have an ERP system to connect to the CTUs' software.

From the foregoing, the value for money on the expenditure on the CTUs 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Substantive Board Members

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

Consequently, the Authority's risk management and governance may be negatively impacted.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 October, 2022

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

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

	Notes	2020-2021 Kshs 000'	2019-2020 Kshs 000'
Revenue from non-exchange transactions			
Transfers from other governments entities	6	1,962,097	2,581,000
Levies, Fines, and penalties	7	256,782	109,272
Licenses and permits	8	162,933	99,216
		2,381,812	2,789,488
Revenue from exchange transactions			
Rental revenue from facilities and equipment	9	116,674	126,112
Finance income	10	115,996	132,963
Other income	11	3,563	6
Total revenue		2,618,045	3,048,569
Expenses			
Use of goods and services	12	1,102,518	988,372
Disbursements	13	26,157	616,499
Special Programme	14	95,997	54,068
Employee costs	15	996,077	998,285
Depreciation and amortization expense	16	205,336	235,720
Repairs and maintenance	17	344,592	329,484
Taxation		-	-
Total expenses		2,770,678	3,222,428
Other gains/(losses)			
Gain on sale of assets	18	6,342	-
Gain on foreign exchange transactions	19	524	1,665
Surplus before tax		(145,767)	(172,194)
Remission to National Treasury		-	-
Net Surplus for the year		(145,767)	(172,194)

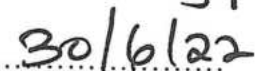
The notes set out on pages 8 to 44 to form an integral part of the Financial Statements

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

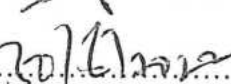
Acting Director General
Name: Beatrice Nyamwamu

Acting Director, Finance
Name: Elias Kiragu
ICPAK M/no 3153

Sign.....

Date.....

Sign.....

Date.....

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021 Kshs 000'	2019-2020 Kshs 000' RESTATED
Assets			
Current Assets			
Cash and cash equivalents	20	2,611,083	2,001,407
Staff Mortgage and Car Loan Fund	21	773,036	1,385,254
Current portion of receivables from exch transactions	22(a)	440,332	408,239
Receivables from non-exchange transactions	23	14,258	12,596
Total Current Assets		3,838,709	3,807,496
Non-Current Assets			
Property, plant and equipment	24	10,342,549	10,470,890
Investments	26	389	389
Intangible assets	25	7,884	17,492
Long term receivables from exchange transactions	22(b)	3,112,161	3,112,161
Total Non- Current Assets		13,462,983	13,600,932
Total Assets		17,301,692	17,408,428
Liabilities			
Current Liabilities			
Trade and other payables	27	766,592	687,506
Refundable deposits from customers	28	16,686	6,732
Current Provision	29	44,395	70,679
Employee benefit obligation	30	789,925	813,319
Taxation		-	332
Total Current Liabilities		1,617,598	1,578,567
Non-Current Liabilities			
Non-current Provision	31	326,820	326,820
Total Non- Current Liabilities		326,820	326,820
Total Liabilities		1,944,418	1,905,388
Net assets			
Revaluation Reserve		9,780,913	9,780,913
Accumulated surplus		391,172	571,391
Capital Fund		1,253,742	1,219,290
Grant Reserve		3,931,446	3,931,446
Total Net Assets		15,357,273	15,503,040
Total Net Assets and Liabilities		17,301,691	17,408,428

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

Acting Director General
Name: Beatrice Nyamwamu

Sign... 
Date... 30/6/22

Acting Director, Finance
Name: Elias Kiragu
ICPAK M/no 3153

Sign... 
Date... 30/6/22

15. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Revaluation Reserve	Retained Earnings	Capital Reserve	Grants Reserve	Total
		Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
As at July 2019		9,780,913	848,326	1,219,290	4,010,840	15,859,369
Surplus for the Period		-	(172,194)	-	-	(172,194)
Return of surplus funds to National Treasury	32	-	(104,741)	-	-	(104,741)
Capital/ Dev't Grant Utilized During the Year		-	-	-	(79,394)	(79,394)
Balance as at 30 June 2020		9,780,913	571,391	1,219,290	3,931,446	15,503,040
As at July 2020		9,780,913	571,391	1,219,290	3,931,446	15,503,040
Surplus for the Period		-	(145,767)	-	-	(145,767)
Retained Earnings Utilized During the Year		-	(34,452)	34,452	-	-
Balance as at 30 June 2021		9,780,913	391,172	1,253,742	3,931,446	15,357,273

Approval was granted for the use of retained earnings to undertake capital expenditure of the upgrade of two Cane Testing Units (CTUs) which was established through a grant through the Sugar Development Levy.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

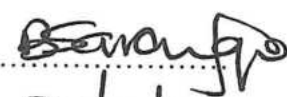
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020-2021 Kshs '000	2019-2020 RESTATED Kshs '000
Cash Generated from Operations			
Surplus for the Year Before Tax		(145,767)	(173,353)
Adjusted for:			
Depreciation	16	205,336	235,720
Depreciation on Disposal		-	-
Impairment		-	-
Gains and Losses on Disposal of Assets/ Foreign Exch		(6,866)	(1,665)
Contribution to Provisions		-	-
Transfers to/from Accumulated Surplus		-	(184,135)
Finance Income	10	(115,996)	(132,963)
Finance Cost			
Working capital adjustments:			
Increase/Decrease in Receivables	22&23	(33,755)	(27,749)
Increase/Decrease in Payables	27-31	39,031	200,486
Net Cash Flows from Operating Activities		(58,017)	(83,659)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets	24&25	(74,392)	(22,975)
Proceeds from Sale of Property, Plant and Equipment		7,004	-
Gains & Losses on Disposal of Assets/ Foreign Exchange	18&19	6,866	1,665
Finance Income	10	115,996	132,963
Net Cash Flows used in Investing Activities		55,475	111,652
Cash Flows from Financing Activities			
Mortgage and Car Loan Fund	21	612,218	-
Net Cash Flows used in Financing Activities		612,218	-
Net Increase/(Decrease) in Cash and Cash Equivalents		609,676	27,993
Cash and Cash Equivalents at 1 July		2,001,407	1,973,414
Cash and Cash Equivalents at 30 June		2,611,083	2,001,407

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

Acting Director General
Name: Beatrice Nyamwamu

Acting Director, Finance
Name: Elias Kiragu
ICPAK M/no 3153

Sign.....
Date.....30/6/22

Sign.....
Date.....30/6/22

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Adjustmen ts	Final budget	Actual on comparab le basis	Performa nce difference	% of utilisa tion
	Kshs A	Kshs b	Kshs C=(a+b)	Kshs d	Kshs e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	1,783,200	150,000	1,933,200	1,962,097	28,897	101%
Levies, Fines, and penalties	160,725	-	160,725	256,782	96,057	160%
Licenses and permits	67,600	-	67,600	162,933	95,333	241%
Rental revenue from facilities and equipment	180,437	-	180,437	116,674	(63,763)	65%
Finance income	102,400	-	102,400	115,996	13,596	113%
Other income	3,020	-	3,020	3,563	543	118%
Reserves	379,787	217,073	596,860	-	-	
Total income	2,677,169	367,073	3,044,242	2,618,045	170,663	86%
Expenses						
Use of goods and services	910,854	285,278	1,196,132	1,102,518	93,614	92%
Employee costs	1,053,055	5,022	1,058,077	996,077	62,000	94%
Board Expenses	29,998	(20,000)	9,998	-	9,998	0%
Disbursements	22,000	15,000	37,000	26,157	10,843	71%
Special Projects	150,000	-	150,000	95,997	54,003	64%
Depreciation and amortization expense	119,797	-	119,797	205,336	(85,539)	171%
Repairs and maintenance	391,464	72,773	464,237	344,592	119,646	74%
Taxation	-	-	-	-	-	100%
Total expenditure	2,677,169	358,073	3,035,242	2,770,678	264,564	91%
Gain on sale of assets and forex	-	-	-	6,866	-	100%
Surplus for the period	-	9,000	9,000	(145,767)	(93,901)	

VARIANCE ANALYSIS

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

i. Transfers from Other Government Entities

The total amount received by the Authority in the FY 2020/2021 from other Government Entities is Kshs 1.962 billion against a target of Kshs. 1.933 billion registering a positive variance of Kshs

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

28.9 Million. This was amounts received from other Organizations for research in the Horticultural sector and crop support in the Nuts and Oil Crops sector

ii. Levies, Fines and Penalties

The total amount received by the Authority in the FY 2020/2021 is Kshs 256.8 million against a target of Kshs. 160.7 million registering a positive variance of Kshs 96.1 million. This was a result of the efficiency of the Integrated Management Information System being implemented by The Authority to collect cess in the Horticultural sector.

iii. Licences and Permits

The total amount received by the Authority in the FY 2020/2021 is Kshs 162.93 million against a target of Kshs. 67.6 million registering a positive variance of Kshs 95.33 million. This target was achieved through the increase in the annual licences for Sugar Industry Sector.

iv. Rental Income from Facilities and Equipment

The total amount received by the Authority in the FY 2020/2021 is Kshs 116.7 million against a target of Kshs. 180.4 million registering a negative variance of Kshs 63.7 million. This target was not achieved, the real estate industry performed poorly due to COVID-19 pandemic.

v. Use of Goods and Services

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

Technical and Advisory Services	127,935
Regulation and Compliance	192,159
Market Research and Product Development	138,942
Administrative expenses	643,482
Total	1,102,518

The Authority had budgeted to spend Kshs. 1.12 billion on the use of goods and services in the financial year 2020/21. During the year, approval to vire a total of Kshs. 285.3 million was given as follows:

Kshs. 201.5 million for use in tea revitalisation projects;

Kshs. 13.5 million for Covid-19 mitigation measures

Kshs. 100 million for farmers' registration

Ksh 15.77 million for maintenance of CTUs

Kshs. 4 million for use in the Director General's office

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Kshs. 49.3 and Kshs 20 million was reallocated from foreign travel vote and board expenses respectively. The positive variance reported is Kshs 93.6 million.

vi. Personnel Cost

The Authority had budgeted to spend Kshs. 1.058 billion on staff salaries and wages in year, the actual expenditure was Kshs. 996.07 million, registering a positive variance of Kshs 62 million. The Authority paid staff based on the approved harmonized salaries

vii. Board Expense

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

viii. Disbursements and Special Projects

This relates to funds used in payment to sugar cane farmers' arrears, and Warehouse Receipt Council as follows:

- Disbursements to Sugar Farmers 8.43M
- Disbursement to Warehouse Receipt Council Ksh 15 M
- Disbursements for Horticultural Sector Research 2.7 M

The Authority had budgeted to spend Kshs. 37 million on for disbursement in year but the actual expenditure was Kshs. 26.2 million, registering a positive variance of Kshs 10.8 million.

ix. Disbursements and Special Projects

The Authority had budgeted to spend Kshs. 150 million on for the cotton revitalization programme, Kshs 75M was received from the Government and actual expenditure was Kshs. 95.99 million, registering a positive variance of Kshs 54 million.

x. Depreciation and Amortisation

The Authority had provided for Kshs. 119.8 million for depreciation of assets in year but the actual depreciation was Kshs 205.3 Million, registering a negative variance of Kshs 85.5 million.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

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

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021

Standard	Impact
Other	Applicable: 1st January 2021:
Improvements to IPSAS	a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. AFA adopted the IPSAS accrual in August 2014.

New and amended standards and interpretations under a, b and c are not relevant to AFA

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
IPSAS 41:	Applicable: 1st January 2023:
Financial Instruments	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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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.
IPSAS 42:	Applicable: 1st January 2023
Social Benefits	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: (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.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Amendments Applicable: 1st January 2023:

- | | |
|--|--|
| to Other
IPSAS
resulting
from IPSAS
41, Financial
Instruments | <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> |
|--|--|

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 41 and 42 not relevant to AFA' s including the Amendments to Other IPSAS resulting from IPSAS 41 under a, b and c above

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Agriculture and Food Authority recognizes revenues from fees, licences, levies and cess when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agriculture and Food Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

Rendering of services

The Agriculture and Food Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

ii) Revenue from exchange transactions

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the 2020-2021 budget following the governing body's approval

The annual budget was prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agriculture and Food Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis or timing differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

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

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

d) Investment property

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Agriculture and Food Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

f) Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

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

Asset	Depreciation Rate	Useful Life
Intangible Assets	20%	5yrs

h) Research and development costs

AFA did not incur expenses on research and development

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agriculture and Food Authority determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

j) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

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

Where the Authority expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

1. **Capital Reserve** – This represents the seed money/capital advanced or granted by the government for establishment of the defunct State Corporations forming the Authority. It is primary reserve that finances major assets of the Authority.
2. **Revaluation Reserve** – This is the reserve created from revaluation of fixed assets i.e. the difference between the carrying amount and the fair value of fixed assets in accordance with IPSAS 17: Plant, Property and Equipment. This is necessary for the proper accounting of fixed asset values, under fair value accounting and therefore has been reported separately in financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

3. **General Reserve** – This is created from accumulated surplus of the Authority and is used to strengthen the liquid resources of the Authority.
4. **Grant Reserve** – This relates to grants received from the government for development of the sugar industry

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays monthly contributions into a separate 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.

Gratuity Obligations

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

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

r) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

s) Related parties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

t) Service concession arrangements

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

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

u) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) Comparative figures

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

w) Subsequent events

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

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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

Useful lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Authority
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Other Government Entities

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

Description	2020-2021 Kshs "000"	2019-2020 Kshs "000"
Unconditional grants		
Operational grant	1,883,000	1,808,936
Other grants	75,797	772,064
Total Unconditional Grants	1,958,797	2,581,000
Conditional grants		
Other organizational grants	3,300	-
Total government grants and subsidies	1,962,097	2,581,000

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

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs "000"	Amount deferred under deferred income KShs "000"	Amount recognised in capital fund. KShs "000"	Total transfers 2020/21 KShs "000"	Prior year 2019/2020 KShs "000"
Ministry of Agriculture/State Department of Crop Development	1,958,000	-	-	1,958,000	2,581,000
Total	1,958,000	-	-	1,958,000	2,581,000

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Levies, Fines and Penalties

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Cess	249,533	98,818
Other levies (Specify)	7,248	10,453
Total	256,782	109,272

8. Licenses, Fees and Permits

This relates to funds received from licences, fees and permits

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Licenses	158,925	96,169
Fees	1,794	212
Permits	2,213	2,835
Total	162,933	99,216

9. Rental Revenue from Facilities and Equipment

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Operating lease revenues	116,674	126,112
Total rentals	116,674	126,112

10. Finance Income

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Cash investments and fixed deposits	115,996	132,963
Total finance income	115,996	132,963

11. Other Income

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Other Income	3,563	6
Total other income	3,563	6

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Use of Goods and Services

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

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Collaborations and Coordination	25,732	21,896
Stakeholders Capacity Building	62,955	53,521
Environmental Sustainability	5,322	4,104
International Fora/Meetings	524	8,191
Seeds Supply & Management	6,854	4,523
Crop Census	14,622	11,780
Crop Support	11,171	43,091
Cotton and Pyrethrum Revitalisation Taskforce	-	1,878
Farmers Data Registration	756	-
Registration & Licensing	24,503	21,262
Inspections & Surveillance	40,944	28,237
Development and Review of Standards	20,737	16,409
Quality Analysis	7,728	9,247
Stakeholders Fora	92,287	16,745
International Fora/Meetings	1,015	8,742
Consultancies	3,391	1,575
Enforcement of Regulations and Standards	597	-
Training of Inspectors	958	-
Generic Promotion	50,250	77,870
Market Research & Development	16,713	15,116
Subscriptions to Associations	13,891	14,063
Product Promotion	9,697	10,080
International Conference	5,586	18,644
Value Addition Promotion	9,205	7,106
Market Registration	4,210	3,797
Special Projects- Tea Sector Reforms	29,389	-
Printing and Stationery	11,117	11,113
Communication Telephone and Postage	37,787	31,999
Vehicle Running Expenses	37,583	26,404
Insurance Expenses	16,143	25,912
Local Travel Expenses	123,748	107,461
Planning Research and Strategy	36,853	9,542
International travel	779	9,661

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Security	33,063	35,104
Electricity and water	28,423	27,758
Rent and rates	24,449	30,389
Computer Accessories	20,308	9,764
Record management	3,144	1,361
Cleaning, Garbage & Sanitary	22,979	15,210
Management Fees/Refunds	1,976	2,530
Newspapers, Periodicals, Journals and subscriptions	3,368	3,431
Advertising and Publicity	2,923	4,077
Bank Charges	3,931	3,876
Staff Welfare	42,087	45,476
Trainings, Seminar, Retreats, Workshops & Conferences	85,957	58,042
Consultancies	-	2,096
Subscriptions to Professional Bodies	1,567	583
Staff Uniforms	591	1,978
Team Building	1,378	817
Audit Fees	6,960	10,670
Internal Audit/ ISO Audits	27,210	26,167
Legal Services	41,897	48,873
Public relations and corporate branding	6,203	3,922
Shows , Exhibitions & trade fairs	5,767	25,133
Corporate Social Responsibility	1,445	1,583
General Expenses	13,845	9,562
Total Use of Goods and Services	1,102,518	988,372

13. Disbursements

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Mumias Farmers	1,715	46,781
Sony Farmers	6,340	115,633
Muhoroni Farmers	363	188,079
Nzoia Farmers	-	153,869
Chemilil Farmers	11	76,561
Warehouse Receipt Council	15,000	-
Inter-African Coffee Organization	-	35,576
Research and Special Project	2,728	-
Total	26,157	616,499

14. Special Programmes

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Cotton Revitalisation	95,997	54,068
Total	95,997	54,068

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Employee Costs

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Salaries and wages	580,952	649,009
Employer contribution to health insurance schemes	102,680	96,701
Employer contribution to pension schemes	79,995	60,392
Housing benefits and allowances	126,742	120,667
Social contributions	1,273	1,199
Other employee related costs	104,435	70,317
Employee costs	996,077	998,284

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

16. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Property, plant and equipment	192,318	223,383
Intangible assets	13,019	12,337
Total depreciation and amortization	205,336	235,720

17. Repairs and Maintenance

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Property	7,094	4,659
Equipment and machinery	301,755	282,464
Vehicles	26,301	19,286
Furniture and fittings	422	197
Computers and accessories	8,797	21,920
Others	223	957
Total repairs and maintenance	344,592	329,484

18. Gain on Sale of Assets

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Property, plant and equipment	6,342	-
Total gain on sale of assets	6,342	-

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Gain on Foreign Exchange Transaction

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

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Gain on Foreign Exchange	524	1,665
	524	1,665

20. Cash and Cash Equivalents

Cash and Cash Equivalent for the FY 2019-2020 was restated from Kshs 3,386,6601 to Kshs 2,001,407 by an amount of Kshs 1,385,254 being Staff Mortgage and Car Loan Fund which is in the FY 2020-2021 reported as current assets.

Description	2020-2021 KShs "000"	2019-2020 KShs "000" RESTATED
Current account	612,460	833,963
On - call deposits	854,310	-
Fixed deposits account	1,144,293	1,167,438
Others(specify)	20	5
Total cash and cash equivalents	2,611,083	2,001,407

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

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

FINANCIAL INSTITUTION	ACCOUNT NO	2020-2021 AMOUNT in KShs	2019-2020 KShs
A. CURRENT ACCOUNT			
Kenya Commercial Bank	1110499213	6,042,969	6,913,408
Kenya Commercial Bank	1136148655	369,272	-
Kenya Commercial Bank	1113721383	79,645	359,768
Kenya Commercial Bank	1135213151	6,375	370,688
Kenya Commercial Bank	1134347472	3,102,953	2,310,964
KCB CFC	1135213151	38,958	-
Stanbic Bank Kenya Limited	100002304702	6,133,066	9,916,324
Co-operative Bank	1141588031600	100,377,173	108,811,603
Co-operative Bank	01120012923300	164,538	180,900
NCBA Bank	1001419222	256,952	255,198
Absa Bank	0945019115	165,423,157	42,687,817
Co-operative Bank	01120012923300	3,042,758	-
Absa Bank	731081123	11,467,492	14,675,537

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Citibank N.A.	300026028	97,399,903	423,929,544
Citibank N.A.	300026055	20,359,101	8,030,342
National Bank Of Kenya	1003000906900	5,516,048	2,065,037
Citibank N.A.	300026036	-	10,002
Citibank N.A.	300027008	12,647,906	3,403,509
Co-operative Bank	1120000543400	2,864,910	59,420,205
National Bank of Kenya	1001031599900	110,649,239	78,579,420
National Bank of Kenya	1001033092200	2,190,883	1,897,150
National Bank of Kenya	12810885002500	313	313
National Bank of Kenya	1001009339300	512,437	512,437
National Bank of Kenya	1001032736101	464	464
National Bank of Kenya	1003000903600	-	1,912,205
National Bank of Kenya - A/C 1	01003000544300	11,281,302	4,464,419
National Bank of Kenya - Msa A/C	01003007525500	70,000	36,788
Citibank N.A. - KES	0300026036	1,552,179	40,331,392
Co-operative Bank	01120007120700	23,048,288	72,681
Stanbic Bank-USD	0100000672248	28,276,940	22,815,285
Citibank N.A. - USD	0300026063	109,410	-
Sub-Total		612,984,632	833,963,400

B. On - Call Deposit

Co-operative Bank	1003000906900	295,729,000	-
Co-operative Bank	01150000543402	558,580,032	-
Sub-Total		854,309,032	-

C. Fixed Deposit

Co-operative Bank	01132012923374	120,000,000	118,722,630
National Bank of Kenya	0130031599919	-	120,000,000
Kenya Commercial Bank	Escrow Account	8,581,797	8,581,797
Kenya Commercial Bank	1136148655	-	370,337
Euro Bank	Euro bank	52,237,375	52,237,375
National Bank of Kenya	01300000544327	100,000,000	-
Co-operative Bank	01132007120772	563,475,000	-
Co-operative Bank	01132007120773	300,000,000	-
Co-operative Bank	01150098625200	-	3,042,758
Co-operative Bank	01150000543402	-	564,483,099
Kenya Commercial Bank	MM201394RSPGFD	-	300,000,000
Sub-Total		1,144,294,172	1,167,437,996

E. Others (Specify)

Mobile Money	20,000	5,000
Sub-Total	20,000	5,000

TOTAL	2,611,607,836	2,001,406,396
--------------	----------------------	----------------------

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

21. Mortgage and Car Loan Fund

		2020-2021	2019-2020
		KShs "000"	KShs "000"
Staff car loan/ mortgage		773,036	1,385,254
Total cash and cash equivalents		773,036	1,385,254
 D. Staff Car Loan & Mortgage			
Kenya Commercial Bank- Sugar	1112738320	160,619,513	159,581,172
National Bank of Kenya	01300031599926	104,464,561	102,000,000
National Bank of Kenya	01098000544301	16,694,732	16,559,675
Kenya Commercial Bank - Mortgage	1112738320	107,916,686	100,000,000
National Bank of Kenya - Coffee		35,190,468	-
Kenya Commercial Bank- Tea	MM20160TFLCV	-	101,522,315
Kenya Commercial Bank- Tea	MM20027HXTS5	-	763,474,750
National Bank of Kenya - Tea	01098000544302	52,071,963	49,116,088
National Bank of Kenya - Car Loan-Tea	01098000544306	51,320,000	50,000,000
National Bank of Kenya - Car Loan- Coffee		50,000,000	-
Kenya Commercial Bank - Mortgage, Fibre		43,391,656	43,000,000
Kenya Commercial Bank - Mortgage, Coffee		151,366,242	-
Sub-Total		773,035,821	1,385,253,999

22. Receivables from Exchange Transactions

22 (a) Current Receivables from Exchange Transactions

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

	2020-2021	2019-2020
	KShs "000"	KShs "000"
Current receivables		
Rent Debtors	62,974	52,354
Trade Debtors	32,718	48,033
Prepayments	639	33
Other Debtors	344,001	307,819
Total current receivables	440,332	408,239

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

22 (b) Long- term Receivables from Exchange Transactions

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Total Receivables		
Levy Arrears	2,883,039	2,883,039
SDF Receivables	229,122	229,122
Less: impairment allowance	-	-
	3,112,161	3,112,161
Current portion transferred to current receivables	-	-
Total non-current receivables	3,112,161	3,112,161
Total receivables (a+b)	3,531,938	3,520,400

23. Receivables from Non-Exchange Transactions

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

Description	2020-2021	2019-2020
	KShs "000"	KShs "000"
Staff Debtors	4,772	6,370
Staff Advance	4,996	1,633
Other Receivable	4,490	4,593
Total current receivables	14,258	12,596

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Property, Plant and Equipment

	Land	Buildings	Plant and Equipment	Automobiles	Computer and Electronic Equipments	Office and Communication Equipment	Furniture and Fittings	Work-in Progress	TOTAL
Cost	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000		Shs 000
As at 1st July 2019	7,378,784	3,136,586	484,755	325,443	173,021	197,512	159,655		11,855,756
Additions	-	1,931	-	-	11,588	7,543	1,914		22,975
Transfers/Adjustments	-	-	-	-	(3,526)	3,526	-		-
At 30 June 2020	7,378,784	3,138,517	484,755	325,443	181,083	208,581	161,569		11,878,731
Additions	-	27,301	-	-	7,061	1,959	208	34,452	70,981
Disposals	-	-	-	(51,514)	(3,844)	(2,049)	(2,150)		(59,558)
At 30 June 2021	7,378,784	3,165,818	484,755	273,929	184,299	208,491	159,627	34,452	11,890,155
Depreciation and Impairment									
As at 1st July 2019	18,200	156,780	469,203	163,620	152,957	106,501	117,198		1,184,459
Depreciation	9,100	78,465	3,109	85,662	16,385	21,132	9,531		223,383
Transfers/Adjustments	-	(712)	-	712	(1,322)	1,322	-		-
At 30 June 2020	27,300	234,533	472,312	249,994	168,020	128,954	126,729		1,407,842
Depreciation	9,100	71,939	3,109	66,426	11,197	21,228	9,319		192,318
Disposal	-	-	-	(46,175)	(3,844)	(1,444)	(1,091)		(52,554)
At 30 June 2021	36,400	306,472	475,420	270,245	175,372	148,738	134,958		1,547,605
Net Book Values									
At 30 June 2021	7,342,384	2,859,346	9,335	3,684	8,927	59,753	24,669	34,452	10,342,549
At 30 June 2020	7,351,484	2,903,984	12,443	75,449	13,063	79,627	34,840	-	10,470,890

Work in Progress include upgrade of two Cane Testing Units (CTUs). The Overall objective of the Cane Testing Units was to enable Kenya Sugar Industry transform from the current weight based system to quality based cane payment system.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

27. Trade and Other Payables

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

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Trade payables	677,170	673,568
Payments received in advance	71,168	11,260
Employee payables	13,383	1,957
Third-party payments	4,870	270
Other payables	-	450
Total trade and other payables	766,592	687,506

28. Refundable Deposits and Prepayments from Customers

This relates to customers' deposits on rental properties

Description	2020-2021 KShs "000"	2019-2020 KShs "000"
Customer deposits	16,686	6,732
Total deposits	16,686	6,732

29. Current Provisions

Description	Leave provision KShs "000"	Bonus provision KShs "000"	Gratuity Provision KShs "000"	Other provision KShs "000"	Total KShs "000"
Balance b/d (1.07.2020)	-	-	-	70,678	70,678
Additional Provisions	-	-	-	7,758	7,758
Provision utilised	-	-	-	(34,041)	(34,041)
Total provisions as at 30.6.2021	-	-	-	44,395	44,395

30. Employee Benefit Obligations

Description	Defined benefit plan KShs "000"	Post- employment medical benefits KShs "000"	Other Benefits KShs "000"	2020-2021 KShs "000"	2019-2020 KShs "000"
Non-current benefit obligation	-	-	-	789,925	813,319
Total employee benefits obligation	-	-	-	789,925	813,319

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

31. Non-Current Provisions

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

32. Surplus Remission

The Agriculture and Food Authority did not make any surplus during the FY 2020-2021 as explained and hence no remittance to the Consolidated Fund.

	2020-2021 KShs "000"	2019-2020 KShs "000"
Surplus for the period	(145,767)	(172,194)
Less: Allowable deductions by NT	-	-
90% computation (Included in Statement of Financial performance)	-	-
Surplus Remission Payable		
	2020-2021 KShs "000"	2019-2020 KShs "000"
Payable at the beginning of the year	-	104,741
Paid during the year	-	(104,741)
Payable at end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Segmented Information

The Authority received its main funding from The Exchequer through the Parent Ministry. Other source of funding is from internally generated funds from regulating the scheduled crops. Funds received from the Exchequer is disbursed to the Directorates. In terms of implementation of the budget, common services are undertaken at the Headquarters while the core functions undertaken at the Directorate level. A brief of the Directorate, their financial performance and financial position for the year under review is given below,

33.1 Sugar Directorate

The sugar industry in Kenya was initiated and dominated by the private sector. To foster development and efficient management of the sugar industry, the Government of Kenya (GOK) established the Kenya Sugar Authority (KSA) under an order of the Agriculture Act cap 318, through legal notice 32 of March 17th, 1973 to advise on the sugar industry development in the country. During the KSA tenure, the government invested in the establishment of 5 sugar mills. The Authority established the Sugar Development Fund to finance cane development, factory rehabilitation, infrastructure development, and research.

To expand the mandate of Kenya Sugar Authority, Kenya Sugar Board was established in 2001 by the Sugar Act, 2001. The expanded mandate of the Board was to regulate, develop and promote the sugar Industry, coordinate the activities of individuals and organizations within the industry and facilitate equitable access to the benefits and resources of the industry stakeholders. The Board facilitated the expansion of the industry by licensing more private millers.

Following the promulgation of the Constitution 2010, the AFA Act 2013 and the Crops Act 2013 were enacted. The purpose of the reforms was to consolidate numerous pieces of legislations within the agriculture sector, address the overlap of functions, address obsolete legislations, and to benefit from economies of scale.

This led to the repealing of the Sugar Act, 2001 and gave birth to AFA - Sugar Directorate (AFA - SD)

To date, the regulatory, development, and promotion mandate of the sugar value chain is under the AFA - Sugar Directorate.

Functions of the Directorate

1. Facilitate the formulation of policies for licensing/registration of sugar cane dealers; thus, sugarcane farmers/millers; sugar exporters/importers and the formulation of guidelines for the development of the sugar industry;
2. Facilitate marketing and distribution of sugar through monitoring of market information, including identification of local supply-demand situation, domestic market intelligence, and promotion activities;

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

3. Establish linkages with relevant government and private research institutions, including KALRO - Sugar Research Institute (SRI), to conduct studies and researches designed to promote production, marketing, and processing of sugar;
4. Promote the adoption of cane varieties suitable to the agro-climatic conditions of the area and markets that will provide the greatest value-added to sugar;
5. Facilitate sugar farmers' training programs aimed at increasing their knowledge on production technologies and on market potentials and prospects for sugar, in partnership with farmer training institutions;
6. Establish and enforce inspection standards, tests and analysis, specifications, units of measurement, and packaging;
7. Promote commercial sugar crops production and advise on strategies for value addition;
8. Build relations with County governments by providing technical advisory services and capacity building of County Agriculture officers.

Offices

Headquarters

Sukari Plaza -Upper Kabete, Off Waiyaki Way

Kakamega Office -1st Floor Agricultural Finance Corporation House

Kisumu Office -5th Floor- Al Imran Plaza

33.2 Horticulture Crops Directorate

The Horticultural Crops Directorate (HCD) which was formerly known as Horticultural Crops Development Authority ('HCA') was established under the Agriculture Act, Chapter 318 of the Laws of Kenya, through Legal Notice No. 229 of 1967. It was started in 1967 to promote the growth, develop, and control/regulate the horticulture industry.

Several changes have occurred however of importance

Legal Notice No.230/1995 – HCDA Order

Legal Notice No 231/1995 – HCDA (Export) Order

Legal Notice No. 232/1995-HCDA (Fruit Tree Nurseries') Order

In 13th July 2006, the orders listed were consolidated into a single order which was gazetted in 2011 cited as No. 190 of 2011

In 2013 the HCDA orders were abolished under AFA Act of 2013 and became a directorate under AFA

Nairobi Horticultural Centre Next To Jkia

P.O Box 42401-00100

Telephone : 020-2088469

Email: Directorhcd@Afa.Go.Ke

Website: www.Afa.Go.Ke

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Stations

1. Nkubu Depot- Kariene Nkubu
2. Kitale Station- Teachers Sacco Plaza
3. Mombasa Station- Nssf-Building
4. Kisumu Station- Mega City Mezzanini Floor
5. Eldoret Station- Kvda Plaza
6. Nakuru Station- Moa Offices Soilo
7. Taveta Station- Immigration Office Building
8. Iten Station-Keiyo Teachers Sacco Building
9. Kitui Office- Bonus Mall
10. Mwea Depot
11. Yatta Depot
12. Machakos Station-Kiamba Mall 3rd Floor
13. Kibwezi Depot
14. Narok /Bomet- Narok Doa's Offices
15. Kabarnet Station- Mwalimu Plaza
16. Kajiado Station- C/O Dao's Offices
17. Homabay Station- Luore Plaza Wing
18. Bungoma Station- Teachers Plaza 2nd Floor
19. Kisii Station- Gusii Kahawa Complex 4th Floor
20. Kericho Station- National Cereal and Produce Board Building
21. Nyandarua Station- Gicharu Building Opposite Kipipiri Dc Office
22. Nyeri Station- C/O CDA Nyeri County
23. Nandi Station-KCD Building 1st Floor Wilfred Bungei Street, Kapsabet
24. Busia Station- Immigration Office
25. Limuru Depot
26. Nairobi Horticultural Centre

33.3 Nuts and Oil Crops Directorate

The Nuts and Oil Crops Directorate was established pursuant to the Agriculture and Food Authority (AFA) Act 2013 and Crops Act, 2013. The Directorate is mandated to develop, promote and regulate the nuts and oil crops industry in Kenya in line with AFA Act and Crops Act. There are 13 scheduled nuts and oil crops. These include coconut, cashew nuts, macadamia nuts, sunflower, simsim, rapeseed, castor, oil palm, linseed, safflower, groundnuts, Bambara nuts and jojoba. The Crops Act, 2013 provides for the formulation of various regulations, rules and guidelines for sustainable development of all scheduled crops.

The sub-sector contributes significantly to job creation, incomes and raw materials for agro-processing industries. Acreage and productivity of most nuts and oil crops remains low. This is attributed to poor agronomic practices, high production costs and limited research, among other factors. Strategies and partnership have been developed to increase production and productivity of tree nuts by smallholder farmers in line with the food and nutrition security pillar of the Big Four Agenda.

The following are the functions of Nuts and Oil Crops Directorate.

- a) Regulate the production, post-harvest handling and marketing of produce and by-products of nuts and oil crops;
- b) Provide advisory and regulatory services on matters related to nuts and oil crops;

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

- c) Collect and collate data, establish and maintain a database on nuts and oil crops;
- d) Determine research priorities and facilitate technology transfer in the nuts and oil crops subsector;
- e) Regulate imports and exports of produce and by-products of nuts and oil crops;
- f) Initiate, promote and enforce quality standards for produce, products and by-products of nuts and oil crops;
- g) Promote product development, market diversification and trade of nuts and oil crops;

In the last financial year, the Directorate implemented various programs towards achieving its mandate:

- (i) Promotion of Nuts and Oil crops in Non-traditional production areas through established model nurseries and community nurseries to provide quality planting materials in addition to capacity building of nursery operators and county extension staff on good agronomic practices in nuts and oil crops.
- (ii) Facilitating access to markets by carrying out market linkages along the value chain through training of farmer groups and SMEs practitioners to enhance value addition besides initiating collaborations and partnerships with both local and international institutions
- (iii) Inspections of premises/nurseries to facilitate registration and licensing of industry players (processors, exporters, importers, marketing agents and nurseries operators). The Directorate also spearheaded development and review of nuts and oil crops products standards in liaison with KEBS and other relevant stakeholders

33.4 Miraa, Pyrethrum and Other Industrial Crops Directorate

Miraa, Pyrethrum and Other Industrial Crops Directorate (MPICD) is one of the Directorates created under the Agriculture and Food Authority (AFA). The mandate of the Directorate is to regulate, develop and promote the three scheduled Crops i.e Miraa, Pyrethrum and Bixa sub-sectors in Kenya and draws its mandate from the Agriculture and Food Authority Act (Act No. 13 of 2013) and the Crops Act (Act No. 16 of 2013).

The Directorate commenced its operations in 2016 upon separation of regulatory and commercial functions of the defunct Pyrethrum Board Kenya. Initially the scheduled crop under the Crops Act 2013 was pyrethrum. Miraa and Bixa were later scheduled under amendment of the Crops Act 2013 in 2016 and 2020 respectively.

Miraa is grown in three counties of Meru, Tharaka Nithi and Embu. Bixa is grown in the counties of Kwale, Kilifi and Lamu. Pyrethrum is grown in nineteen counties namely; Nakuru, Kiambu, Nyandarua, Nyeri, Laikipia, Meru, Baringo, Elgeyo Marakwet, West Pokot, Trans Nzoia, Bungoma (Mt. Elgon), Uasin Gishu, Nandi, Kericho, Bomet, Narok, Nyamira and Kisii.

To better execute its mandate MPICD has staff in AFA offices in Nairobi, Nakuru, Maua, Embu, Mwingi- Nyandarua and Lungalunga.

33.5 Fibre Crops Directorates

In 2014, the Agriculture and Food Authority (AFA) was established under Section 3 of the Agriculture and Food Authority following the operationalization of the Crops Act 2013 that repealed the Acts Cotton Act, Cap 335 (amended in 2006) and Sisal Industry Act, Cap 341. Subsequently the Fibre Crops Directorate was established and assumed the functions of the Sisal Board of Kenya and Cotton Development Authority. To date, the regulatory, development and promotion mandate of the fibre value chains is under the AFA-Fibre Crops Directorate.

The Cotton

The first legal instrument to regulate the Cotton Industry in Kenya was the Cotton Lint and Seed Marketing Act of 1955 which formed the Cotton Lint and Seed Marketing Board whose main function was to purchase both lint and seed from the ginner and advise the Minister of Agriculture on the prices to be paid by ginner to grower. This act was repealed by the Cotton Act, Cap 335 in 1990 and established the Cotton Board of Kenya as a State Corporation under the Ministry of Agriculture. The Cotton Act was amended in 2006 to create Cotton Development Authority under section 3.

The Sisal

The first legal instrument to govern the production of sisal was the Sisal Industry Act, 1946 (No. 77 of 1946) which established the Sisal Board of Kenya. This Act made provision for the promotion and control of the sisal industry. In 1951 the Sisal Industry (Sale of Sisal and Collection of Cess) Rules, were made under the Sisal Industry Act Cap 341 to regulate some aspects of the sale of sisal or sisal fibre. As per these rules, no sisal or sisal fibre produced within Kenya was to be sold except through an agent duly licensed under section 7 of the Act and the Board was, from time to time, would prescribe conditions to a licence and determine the prices that should be paid for sisal and sisal fibre.

Fibre Crops Directorate Headquarters, West Riverside Lane,

Stations

1. Riverside Drive, Box 66271-00800 NAIROBI
2. Kisumu Office-Al-miran Plaza 5th flr-Oginga Odinga street
3. Homabay Office-P O Box 568, Homabay
4. Siaya Office-Siaya county offices -Rarienda
5. Busia office and Malaba Office
6. Mombasa Office (Sisal Inspection Unit)- Mozambique Road, Shimanzi
7. Malindi Office- Kilifi county Agriculture offices-Malindi
8. Bura-Hola Office- NIB Offices
9. Kitui Office- Kitui Town
10. Meru Office and Machakos Office
11. Kiamba Mall, New Naivas Building

33.6 Coffee Directorate

Coffee directorate is mandated to regulate the coffee sub sector through promoting coffee production processing and marketing of the crops into the country. It has eight regional offices namely:

Coffee Head Office- 10th Floor, Coffee Plaza Bldg
Exchange Lane off Haile Selassie Avenue

Stations

1. Kisii -4th floor, Gusii Coffee Farmers COOP Union Bldg
2. Kitale -2nd Floor, Trans Nzoia Teachers Investment Cooperative Society
3. Nakuru at Milimani Estate
4. Bungoma -1st floor, Bungoma District Co-op Union Building
5. Embu- Kenya Meteorological Station off Embu-Meru Highway
6. Nyeri- Fortress Building, 2nd Floor
7. Meru- 3rd floor, Mwalimu Plaza
8. Thika -1st floor Room 25 & 26, Murang'a District Co-op Union

33.7 Tea Directorate

The Tea directorate prior to the enactment of the Tea Act, 2020, dealt with tea that was one of the scheduled crops regulated by the Agriculture and Food Authority (AFA) since 2014 when the Crops Act, 2013 and the Agriculture and Food Authority Act, 2013 were operationalized. However, on 11th January 2021, the tea directorate transited to the Current Tea board of Kenya through an act of parliament but for reporting purposes, tea directorate formed part of AFA as the 2021/2022 budget was consolidated. The tea sub-sector is one of the key drivers of Kenya's socio-economic development, providing source of livelihood directly to over 600,000 farmers and indirectly to about 6.5 million Kenyans, representing 13% of the national population. It contributes about 2% of the GDP and 4% of the Agriculture GDP

33.8 Food Crops Directorate

The Food Directorate is a Directorate under the Agriculture and Food Authority (AFA) whose mandate is to oversee the regulation, development and promotion of the food crops sector which was hitherto unregulated since independence. The regulation framework is through the provisions of the AFA Act 2013, Crops Act, 2013, The Crops (Food Crops) Regulations, 2019 and The Crops (Irish Potatoe) Regulations 2019.

In the Financial year 2020/2021, the Directorate activities were funded from AFA Government of Kenya Budgetary allocations to the tune of Kshs 30.98 Million including Kshs 2.69m generated internally from registration & licensing fees through operationalization of the two sets of Regulations.

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

Description	CONSOLIDATED	COFFEE DIRECT ORATE	FIBRE CROPS DIRECT TORAT E	FOOD CROPS DIRECT TORAT E	HORTICULTURAL CROPS DIRECT ORATE	HEADQUARTERS	NUTS AND OIL CROPS DIRECT TORAT E	PYRET HURUM, MIRAA & OTHER INDUSTRIES TRIAL CROPS	SUGAR DIRECT TORAT E	TEA DIRECT ORATE
Revenue										
Revenue from non-exchange Transactions										
Total Grant	1,962,097	5,648	95,746	28,292	10,112	1,572,956	36,356	35,046	85,386	92,555
Levies, Fines and Penalties	256,782	-	-	-	249,533	-	6,170	-	1,078	-
Licenses, Fees and Permits	162,933	11,740	27,116	2,690	9,046	-	484	-	108,835	3,022
Total Non-Exchange Transactions	2,381,812	17,387	122,862	30,982	268,692	1,572,956	43,010	35,046	195,300	95,577
Rental Income	116,674	69,076	13,567	-	32,800	726	-	-	504	-
Investment Income	115,996	39,549	392	-	-	578	-	-	9,594	65,884
Other Income	3,563	1,878	564	-	243	175	7	-	137	559
Revenue from exchange transactions	236,233	110,503	14,523	-	33,043	1,479	7	-	10,235	66,443
Total Revenue	2,618,045	127,890	137,385	30,982	301,735	1,574,436	43,016	35,046	205,535	162,019
EXPENSES										
Use of Good and Services	1,102,518	91,338	56,224	33,592	153,884	423,885	42,623	37,830	92,940	170,202
Total Disbursements	26,157	-	-	-	2,728	15,000	-	-	8,430	-
Cotton Revitalization	95,997	-	95,997	-	-	-	-	-	-	-
Total Personnel cost	996,077	-	-	-	-	996,077	-	-	-	-
Depreciation and Amortization	205,336	36,831	24,324	-	31,374	67,093	3,600	-	15,816	26,299

**Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Repairs and Maintenance	344,592	3,508	4,540	587	8,240	316,474	1,365	1,387	5,943	2,548
Total Expenses	2,770,678	131,677	161,418	34,179	197,086	1,597,122	47,617	39,217	363,134	199,228
Other Gains/(Losses)	6,866	1,086	161	-	1,519	2,560	-	-	807	732
ASSETS										
Current Assets										
Cash and cash equivalents	2,611,083	602,370	3,228	11,467	167,962	419,003	6,412	6,133	465,441	929,066
Mortgage & Car Loan Fund	773,036	236,557	43,392	-	-	-	-	-	281,779	211,309
Receivables from exchange transactions	440,331	68,693	6,699	33	130,179	196,631	186	-	24,119	13,791
Receivables from non-exch. transactions	14,258	4,594	-	-	198	7,158	-	-	819	1,489
Current Assets	3,838,709	912,214	53,319	11,500	298,339	622,793	6,598	6,133	772,158	1,155,655
Non-Current Assets										
Property, Plant & Equip	10,342,549	5,883,867	876,224	-	1,917,830	98,435	890	-	555,910	1,009,393
Intangible assets	7,884	-	-	-	80	7,017	-	-	787	-
Investments	389	389	-	-	-	-	-	-	-	-
Long Term Receivable from Exch Transactions	3,112,161	-	-	-	-	-	-	-	-	3,112,161
Non-Current Assets	13,462,983	5,884,256	876,224	-	1,917,830	105,452	890	-	556,699	4,121,553
Total Assets	17,301,692	6,796,470	929,543	11,500	2,216,249	728,245	7,488	6,133	1,328,857	5,277,208
LIABILITIES										
Current Liabilities										
Current Liabilities	1,617,599	36,291	3,195	93	129,576	860,421	117	512	553,840	33,553
Non-Current Liabilities	326,820	-	-	-	-	-	-	-	326,820	-
Total Liabilities	1,944,418	36,291	3,195	93	129,576	860,420	117	512	880,660	33,553

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

34. RISK MANAGEMENT

AFA overall risk management programme focuses on unpredictability of changes in the operational environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority 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 Authority's financial risk management objectives and policies are detailed below:

	2020/2021 Ksh 000 Kshs	2019/20 Ksh 000 Kshs	Total Kshs 000 Kshs
As at 30 June 2021			
Financial assets			
Investments	389	389	778
Cash	3,384,644	3,386,661	6,771,304
Debtors	3,532,038	3,520,400	7,052,438
Total financial assets	6,917,071	6,907,450	13,824,520
Financial Liabilities			
Trade and other payables	746,663	687,506	1,434,168
Borrowings	-	-	-
Total financial liabilities	746,663	687,506	1,434,168
Net foreign currency asset/(liability)	6,170,408	6,219,944	12,390,352

(i) Credit risk

The Authority does not have exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

(ii) Liquidity risk management

The Authority depend on government grants to finance most of its operations. This may expose the Authority to liquidity risk due to non-receipt or delays in receipt of government grant. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The Authority has limited exposure to market risks. Therefore, AFA 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.

Capital Risk Management

The Authority's capital risk is detailed below;

	2020-2021 Kshs	2019-2020 Kshs
Revaluation reserve	9,780,913	9,780,913
Retained earnings	425,624	571,391
Capital reserve	1,219,290	1,219,290
Grant Reserve	3,931,446	3,931,446
Total funds	15,357,273	15,503,040
Total borrowings	-	-
Less: cash and bank balances	(3,384,644)	(3,386,661)
Net debt/(excess cash and cash equivalents)	11,972,629	12,116,379
Gearing	0%	0%

35. Events after the Reporting Period

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

36. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Agricultural Research-Ministry of Agriculture, Livestock, Fisheries and Cooperatives Its ultimate parent is the Government of Kenya.

37. Currency

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

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

APPENDIX I: 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)
1	I. Fleet Management i) Documents of Ownership Not in Custody of the Authority ii) Logbooks in the Name of Defunct/Formal Boards	The Authority has managed to secure 19 Motor vehicle logbooks from Directorates and efforts are being made to secure the remaining Logbooks The process of regularization and transfer of Motor vehicles from the former institutions is in the final stage after all Directorate representatives had opened digital accounts at the National Transport and Safety Authority and a budget to facilitate the exercise has been approved. The Authority has met all the requirements for transfer.	Acting Director General	Not Resolved	FY 2022-23
	II. Undisclosed Land and Buildings Ten (10) acres of land situated in Wundanyi, Taveta and one hundred and twenty-seven (127) acres situated in Kitui valued at Kshs. 36,600,000 and Kshs. 4,000,000 and allocated to the defunct Horticultural Crops	The Authority undertakes to follow up the approval of the PDP both with the Department of Physical Planning of the areas for the mentioned piece of land and the Cabinet Secretary's office at the Ministry of Lands	Acting Director General	Not Resolved	Awaiting approval of PDP

**Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.**

Development Authority and the
defunct Cotton Board of Kenya

Seven acres of land in Mtwapa that
had been allocated to the defunct
Kenya Coconut Development
Authority by the defunct Kenya
Agricultural Research Institute. In
addition, the ownership had not
been transferred by the Kenya
Agricultural Research Institute by
the time the Authority ceased to
exist upon the commencement of
the Crops Act, 201

2	Unsupported Investments Balance of Kshs. 389,000 on coffee exchange shares	The investment of Kshs. 389,000 relates to the total amount the defunct Coffee Board of Kenya incurred in the establishment of the Kenya Coffee Auction before liberalization of the coffee industry in 2007. However, amount paid as seed capital was Kshs. 148,200 which was reflected in the share certificate thus resulting to a difference of Kshs. 240,560. After, liberalization the National Treasury granted approval for the winding up of the coffee exchange but the cost of the investment was never removed from the books of Coffee Board of Kenya.	Acting Director General	Not Resolved	After the approval of write off
3	Authority to Operate Bank Accounts				
	I. As previously reported, the Authority continued to operate forty-one bank accounts instead of twenty- three bank accounts	The Authority is in process of closing the two bank account for the Sugar Directorate as per the attached	Acting Director General	Resolved	N/A

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

contrary to Circular REF: AG.3/88/1/33 dated 17 May 2018 from the National Treasury. Two bank accounts operated by the Sugar Directorate Account Numbers; 1001009339300 and 1001419222 were ordered closed but were still operational. No explanation was provided for non-adherence to the National Treasury Circular.

communications to the bank
 Ref
 AFFA/SD/FIN/NCBA/
 VOL.11/ (78) and
 AFFA/SD/FIN/NBK/V
 OLIV/186 dated 18th
 May 2022

II.	As previously reported, the statement of financial position and as disclosed under Note 20 to the financial statements, reflects cash and cash equivalents balance of Kshs. 2,611,083,000, which includes fixed deposits of Kshs. 1,144,293,000 as at 30 June, 2021. The fixed deposits include an amount of Kshs. 52,237,374 in respect of deposits that had been placed in Euro Bank, which was placed under receivership in the 1990s. Although full provision had been made in these financial statements for the fixed deposits in Euro Bank, the Authority has not provided evidence on what steps it has taken to recover the amount from the receiver manager of the bank.	The bank is under liquidation since 2003. Since chances of recovering the amount is remote the Authority is in the process of seeking approval from the National Treasury for write off	Acting Director General	Not Resolved	After approval of National Treasury
-----	--	---	-------------------------------	-----------------	---

Agriculture and Food Authority
Annual Reports and Financial Statements
For the year ended June 30, 2021.

4	Long Outstanding Receivables From Exchange Transactions	The Authority has vigorously followed the arrears on the levy from the Sugar mills and continue to do so to date. The issue of levy arrears was addressed through the National Assembly vide Sessional Paper no 12 of 2012. It wrote off some levy on Government mills subject to privatization. As it stands, privatization has not been completed and the levy arrears will only be determined upon conclusion of the privatization	Acting Director General	Not Resolved	After being granted approval for a write off
5	Long Outstanding Receivables From Non-Exchange Transactions	Long Outstanding Receivables from Non-Exchange Transactions include rent deposits which are recoverable upon vacating rented offices Other receivables include Staff medical advances issued to staff being recovered over a period.	Acting Director General	Not Resolved	N/A
6	Long Outstanding Trade and Other Payables	Included in the payables is Kshs 475 Million relates to Sugar Development Levy component payable to sugar research institute and was based on sugarcane levy arrears which millers have not yet paid	Acting Director General	Not Resolved	After being granted approval for a write off

Acting Director General
Name: Beatrice Nyamwamu

Signature 

Date 30/6/22

Acting Director, Finance
Name: Elias Kiragu

Signature 

Date 30/6/22

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Cotton Revitalization Project

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)
Cotton Industry Revitalization Project	1165106601	GoK	5 Yrs.	N/A	N/A	N/A

Status of Projects completion as at 30th June 2021 (Kshs 000')

Project	Total project Cost	Total expended to date	Completion % to date	Budget FY 2020-2021	Actual FY 2020-2021	Sources of funds
1 Cotton Industry Revitalization Project	1,865	177	9.5%	75	75	GoK