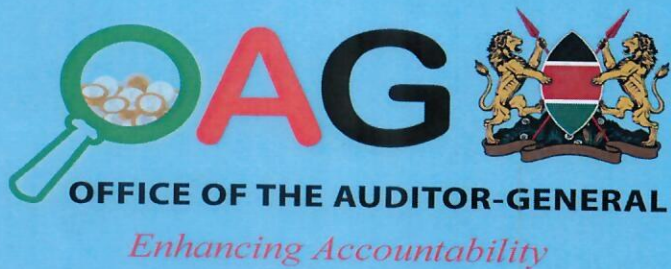


REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA VETERINARY VACCINES  
PRODUCTION INSTITUTE**

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







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**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Financial Reporting Standards (IFRS)**

**KENYA VETERINARY VACCINES PRODUCTION INSTITUTE  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**I. KEY ENTITY INFORMATION**

**(a) Background information**

The Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established under State Corporation Act, Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990. The Institute was subsequently put under KARI management in July 2003 through Presidential Circular No. 3/2003 until July 2008 when it reverted to its original status. It falls under the Ministry of Agriculture, Livestock and Fisheries, State Department of Livestock.

**(b) Principal Activities**

The mandate of The Institute is to perform the following functions: -

- 1) Co-ordinate and take charge of all veterinary vaccines production in the country.
- 2) Research, either alone or in collaboration with other research institutions, into new innovations of veterinary vaccines production.
- 3) Develop and produce chemicals, media and laboratory products for use in the production of vaccines and other veterinary products.
- 4) Market and distribute veterinary vaccines locally and abroad.
- 5) Provide information in the field on the suitability and effectiveness of veterinary vaccines.

**(c) Directors**

The Directors who served the entity during the year/period were as follows:

- |     |                            |   |                           |
|-----|----------------------------|---|---------------------------|
| 1.  | Dr. Geoffrey K. Kamau      | - Chairman  | - Appointed on 08/10/2021 |
| 2.  | Prof. James K. Wabacha     | - Chairman  | -Left on 06/10/2021       |
| 3.  | Dr. Jane W. Wachira        | - Chief Executive   | - Appointed on 10/02/2020 |
| 4.  | Dr. Kiprono Lagat David    | -Independent Director   | - Left on 13/12/2021      |
| 5.  | Prof. Philip Nyaga         | -Independent Director   | - Left on 13/12/2021      |
| 6.  | Prof. Lilly Bebora         | -Independent Director   | - Left on 13/12/2021      |
| 7.  | Dr. Elijah Kabiru          | - Alternate to Principal Secretary National Treasury                      |                           |
| 8.  | Dr. Harry Oyas             | -Alternate to Principal Secretary State Department of Livestock           |                           |
| 9.  | Dr. David Changwony        | Alternate to Director, Kenya Agricultural Research Institute – K.A.L.R.O; |                           |
| 10. | Mrs. Loise Wanjira Njeru   | - Independent Director  | -Appointed on 06/10/2021  |
| 11. | Mr. Victor Momanyi         | -Alternate to the Inspector-General (Corporations)                        |                           |
| 12. | Prof. George Karuoya Gitau | - Independent Director  | -Appointed on 13/05/2022  |



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**(d) Corporate Secretary**

Mr. Walter Nyamwaya  
P.O. Box 53260-00200  
Nairobi

**(e) Registered Office**

Kenya Veterinary Vaccine Production Institute  
Road 'A', Off Enterprise Road, Industrial Area  
P.O. Box 53260-00200  
Nairobi. Kenya

**(f) Corporate Headquarters**

Kenya Veterinary Vaccine Production Institute  
Road 'A', Off Enterprise Road, Industrial Area  
P.O. Box 53260-00200  
Nairobi. Kenya

**(g) Corporate Contacts**

Telephone Number: 020 3540071 Cell 0724651895  
[vaccines@kevevapi.or.ke](mailto:vaccines@kevevapi.or.ke)  
[www.kevevapi.or.ke](http://www.kevevapi.or.ke)

**(h) Corporate Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 0020  
Nairobi, Kenya

**(i) Other Bankers**

Kenya Commercial Bank  
KICC Branch  
P.O. Box 46950-00100  
Nairobi.  
Tel.020214778, Fax 337650  
Account No. 1109016492  
Account No 1102301108



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Kenya Commercial Bank  
Moi Avenue Branch  
P.O. Box 30081-00100  
Nairobi.  
Tel: 20244939, Fax.20244939  
Account No.1107172764

**(j) Independent Auditors**

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

**(k) Principal Legal Adviser**

The Attorney General  
State law office  
Harambee Avenue  
P.O. Box 40112 - 00200  
Nairobi, Kenya

P.K. Mbabu & Company Advocates  
Cannon House, 2<sup>nd</sup> Floor  
P.O. Box 6728-0100  
Nairobi.

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**II. THE BOARD OF DIRECTORS**



**Dr. Geoffrey Kamau. Kibui**  
Chairman Board of Directors

**Key Qualification:**

Bachelor of Veterinary Medicine degree from the University of Nairobi, Kenya.

Date of Birth: - 12<sup>th</sup> April 1967

**Work Experience:**

- September 2021 -Date- Independent Board Director and Chairman Board of Directors KEVEVAPI
- June 2015 -June 2021- Chairman Board of Directors Kenya Animal Genetics Resources Centre (KAGRIC)
- 2002 -Date: Proprietor, Hotel Starbucks
- 1991 to-date: Proprietor, Anagro Kenya Ltd and Karatina Veterinary Centre
- 2008-2012 Chairman BoM Kabiruini High School
- 2002-2007 Chairman Karatina Hospital Board
- 1997-2000 Board Member Kirimara High School
- 1991 to Date: Private Veterinary Practioner and Agrochemical Distributor.



**Loise Wanjira Njeru**

**Key Qualifications**

MSc. Agriculture Extension. (Management & Organization)-READING University, UK, BSc, Agriculture UON, Postgraduate Certificate; Project Management – BRADFORD University, UK and Integrated Pest Management- Munich, Germany,

**Key Competencies**

Public policy  
Corporate Governance  
Leadership & Strategic management  
Organizational development  
Coffee Value Chain expert



Date of Birth: -. 3rd February 1958

**Work Experience:**

- An Independent Director of KEVEVAPI (wef 06/10/2021) & Chairperson, Audit Committee of the Board
- Jan 2016-Jan 2020- Senior Advisor to the Cabinet Secretary, Ministries of Planning & Devolution and Agriculture, Livestock & Fisheries.
- June 2015 to Jan. 2016- Head, Partnerships & Business Development, Kenya Agricultural & Livestock Research Organization (KALRO)
- November 2013- May 2015- Management & Agricultural Value Chain Consultant
- Sept 2007-October 2013- Managing Director/CEO, Coffee Board of Kenya.
- 1997-2007-- Head; Research Liaison & Advisory Services - Coffee Research Foundation (CRF).
- 1994 – 1997- Project Agronomist-Second Coffee Improvement Project (SCIP)
- 1990 – 1994- Research Liaison, Training and Advisory officer – CRF
- 1981 -1990- Agriculture Extension Officer
- Former Member, Board of Management, St. Marks Teacher Training College Kigari & Chair Agriculture Committee
- Former, Council Member, International Coffee Organization & Inter-African Coffee Organization






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	<ul style="list-style-type: none"> <li>• Former, Board Member, Coffee Research Foundation</li> <li>• Founder member, Youth Entrepreneurship &amp; Leadership/Mentorship initiative.</li> </ul>
 <p>Prof. George Karuoya Gitau <b>Key Qualification-</b> BVM, MSc, PhD</p>	<p>Date of birth: 27-03-1962</p> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• Independent Director</li> <li>• Experience: Professor, Faculty of Veterinary Medicine, University of Nairobi (UoN). Previous held positions of Associate Professor, Senior Lecturer, Lecturer and Assistant Lecturer.</li> <li>• Specialisation: Epidemiology and Food Animal Medicine. Published about 100 scientific papers in Animal Health and Epidemiology.</li> <li>• Experience: Worked with UoN for 33years; GoK for 2 years (Veterinary Officer) and African Union-IBAR for 5 years. Have been Acting Dean of Faculty of Veterinary Medicine and Acting Chairman of the Department of Clinical Studies.</li> <li>• Also done Research Projects/Consultancies with USAID, AfDB, ICIPE, UNEP, ILRI, IDRC, VSF-Suisse, VSF Germany, FAO, and World Vision among others.</li> <li>• Chairman, Board of Trustees, University of Nairobi Pension Scheme.</li> </ul>
 <p>Dr. Lagat Kiprono David <b>Key Qualification:</b> BVM (UON), Diploma in Animal Science (Egerton University)</p>	<p>Date of Birth: 29<sup>th</sup> December 1959</p> <p><b>Work Experience:</b></p> <p>14/12/2018 – 13/12.2021-Appointed KEVEVAPI Independent board member.</p> <p>2010 to date – Dean Faculty of Animal health –Baraton College</p> <p>2009- Sub-County Veterinary Officer (SCVO)</p> <p>2005-Deputy District Veterinary Officer (DDVO).</p> <p>2000-Veterinary Officer (VO)</p>



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 <p><b>Dr. Elijah Kabiru</b> Key Qualification: PhD Candidate in Finance, (University of Nairobi), Masters in Finance (Kenyatta University), Bed Economics &amp; Mathematics (Moi University), CPA (K).</p>	<p><b>Date of Birth: 1974</b></p> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• July 2015: Appointed to KEVEVAPI Board as Alternate to PS Treasury</li> <li>• 2014 to date: Senior Assistant Accountant General-National Treasury.</li> <li>• 2015: Head of Accountant Unit – Ministry of Commerce and Tourism.</li> <li>• 2010: Head office Accountant- Kenya Rural Roads Authority.</li> </ul>
 <p><b>Prof. Philip Nyaga</b> <b>Key Qualification:</b> American language (Columbia University, PHD &amp; MPVM (University of California, BVM (UON)</p>	<p><b>Date of Birth: 1948</b></p> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 14/12/2018 – 13/12.2021 -appointed an Independent KEVEVAPI board member.</li> <li>• 1989-to Date Professor of Virology</li> <li>• 26 April 1985-Associate Professor</li> <li>• 26<sup>th</sup> April 1985- Senior Lecturer</li> <li>• 1/02/1976-Lecturer</li> <li>• 21/12/1975- Temporary Lecturer</li> <li>• March –September 1973-Clinician</li> <li>• March-June 1979-Junior Animal Health assistant</li> </ul>
 <p><b>Prof. Lilly Beboru</b> <b>Key Qualification:</b> PHD (veterinary microbiologist, immunologist, specialist in poultry diseases, MSC, BVM</p>	<p><b>Date of Birth: 18 April 1949</b></p> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 14/12/2018 – 13/12.2021-appointed as an Independent KEVEVAPI board member.</li> <li>• Present-Professor (Veterinary Microbiology and Immunology), UoN</li> <li>• May 2002-May 2013-Associate Professor</li> <li>• 16<sup>th</sup> 12/88-May 2002- Senior Lecturer</li> <li>• 29/11/79-16/12/88-Lecturer</li> <li>• 29/11/79-Assistant Lecturer</li> </ul>



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Mr. Victor M. Momanyi, OGW

**Key Qualification:**

Master of Public Sector Management-Africa University (AU)-Zimbabwe (2010-2012), Leader- East African Community Students BED-(Economics) KU

Date of Birth: 21 September 1967

**Work Experience:**

- KEVEVAPI Board member -Representing State Corporations Advisory Committee (SCAC)
- 2017-Date: Deputy Inspector General (Investigations)- Inspectorate of State Corporations Cabinet Affairs Office.
- 2012-2016- Senior Efficiency Monitoring Officer, Efficiency Monitoring Unit Cabinet Affairs Office- Spearheaded Efficiency and Effectiveness as well as Accountability in Public Resources Management in MDAs
- 2007-2011 Assistant Director- Quality Assurance and Standards-MOE
- Real time oversight on Management Practices, induction/ training of staff, participate in task Forces, attendance of Public Investment Committee (PIC) meetings, Project inspection, Surcharge and Restitution, Restructuring/ Re-establishment of Public Enterprises and restructuring of Departments



Dr. Harry Oyas

**Key Qualification:**

BVM (UON), MSc (University of London)

Date of Birth: 29 September 1959

**Work Experience:**

- 2020- Appointed KEVEVAPI Board member (Alternate to PS State Department of Livestock)
- 2016-2020- Deputy Director Veterinary Services, Head: Epidemiology and Economics Section, Directorate of Veterinary Services
- 2008-2016- Senior Assistant Director of Veterinary Services, deputy head Epidemiology and Economics Section
- 2014- Country focal person for Standard Methods and Procedures in Animal Health project
- 2004 - 2006 – Project coordinator, Pan African Control for Epizootics Kenya,
- 1990 – 1996- District Veterinary Officer, Nyamira District
- 1983- 1990- Field Veterinarian, Department of Veterinary Services



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Dr. David Changwony

**Key Qualification:**

PhD Animal Nutrition (University of Bonn, Germany), MSc Animal Nutrition (University of Sydney, Australia), BSc Animal Production and Diploma Animal Health (Egerton University)

**Date of Birth:** 24th January, 1957

**Work Experience:**

- 2019: Appointed to KEVEVAPI Board as Alternate to Director General, KALRO
- 2014 to Date: Institute Director, KALRO Sheep, Goats and Camel Research Institute
- 2014: Deputy Centre Director, KARI Perkerra
- 1999-2014: Research Officer, KARI Lanet /Perkerra
- 1990-1999: Technical Officer, KARI Lanet



M/S Beatrice Karwitha Kiragu

**Key Qualification:** MBA (UON), 2015, BED –Mathematics and Business Studies, KCSE B

**Date of Birth:** 18<sup>th</sup> August 1981

**Work Experience:**

- 14/12/2018 – 13/12.2021– To date: Appointed as an independent KEVEVAPI Board.
- 2017 to date – Chairperson KEWOA (Kenya Women Agenda)
- 2015-date Director Jubbe Logistics &General Suppliers Ltd
- Nov 2014-Aug 2015-Tender and Contracts Manager-Coca Cola Bottling Company, Nairobi
- Oct.2009-Oct.2014 –Procurement Category Specialist-Coca Cola Bottling Company, Nairobi.
- June 2006-Sept 2009 Logistics & Warehouse Supervisor - Coca Cola Bottling Company, Nairobi.
- 2005-2006-Stock Controller- Coca Cola Bottling Company, Nairobi
- 2000-2004-Assistant Supplies Officer BAT (K) Ltd







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 <p>Dr. Jane Wanjugu Wachira <b>Chief Executive Officer (CEO) and Secretary to the Board,</b> Key Qualification: MSC UK, BVM(UON), A, level</p>	<p>Date of Birth: <b>15 May 1961</b></p> <p><b>Work Experience:</b></p> <ul style="list-style-type: none"> <li>• 2017 to date: Chief Executive Officer-KEVEVAPI</li> <li>• 2015 to 2017: Ag. Chief Executive Officer-KEVEVAPI</li> <li>• 2004-2015-Deputy Director Technical services</li> <li>• 2003-2004-Acting MD KEVEVAPI</li> <li>• 1993-2003-Production Manager Kabete</li> <li>• 1992-1993-Assistant Quality Assurance Manager KEVEVAPI setting up quality assurance labs Kabete and Muguga</li> </ul>
 <p>Walter Manyibe Nyamwaya <b>KEVEVAPI Secretary</b> Key Qualification: LL. B, Post graduate Diploma (KSL), CS II(KASNEB), Advocate of the High Court Qualified But not registered with ICS</p>	<p>Date of Birth: - <b>28<sup>th</sup> October, 1988</b></p> <p><b>Work Experience;</b></p> <ul style="list-style-type: none"> <li>• Jan 2018-Date-Legal Officer KEVEVAPI</li> <li>• May 2013-December 2014 Legal Researcher at Shem Kebongo &amp; Company Advocates.</li> <li>• January 2015-December 2015: Policy Research &amp; Advocacy Assistant at the Kenya Association of Manufacturers</li> <li>• January 2016-December 2017: Group Legal Advisor Broadway Group of Companies LTD.</li> </ul>






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**III. MANAGEMENT TEAM**

KEY MANAGER'S PASSPORT-SIZE PHOTO, NAME AND KEY PROFESSION/ACADEMIC QUALIFICATION	MAIN AREA OF RESPONSIBILITY
 <p>• Dr. Jane Wanjugu Wachira MSC UK, BVM(UON), A, level</p>	Chief Executive Officer (CEO).
 <p>Dr Alex Zephania Sabuni Lucheli MSc, BVM, KCSE</p>	Deputy Director, Technical Services
 <p>• Mr. Peter Macharia Gitau MBA-Finance ((UoN), BCOM - Finance, FA, CPAK, KCSE.</p>	Head of Finance
 <p>• M/s. Rosaline Muema MBA- Human Resource Management (UoN) MB-Sociology Moi University, Higher Diploma - HRM CPS 1 – KASNEB. Membership IHRM KACE-3 Principals, 1 sub. KCE Division II</p>	Head of Human Resources and Administration Manager







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 <p>• Dr. Jones Mutua MSc- Applied Microbiology BVM, KCSE</p>	Senior Production Officer- Kabete
 <p>• M/s Andia A. Khaseke MBA-((UoN), BED-Business Studies &amp; Economics, CPAK</p>	Chief Internal Auditor
 <p>• Mr. Stephen Gitonga Njeu Pursuing MSc. Infectious Dis, Higher Dip. Applied Biology, Dip. Applied Biology KACE 1P, 1SubKCE DIV I</p>	Quality Assurance Manager
 <p>Mr. Givinal Ejilo BPSM, TOT</p>	Assistant Director Supply Chain Management Services
 <p>• Mr. Bernard Kuria B. Philosophy-Mechanical Engineering Technology- Higher Dip. Mechanical Engineering-Plant Option. Dip. Mechanical Engineering-Plant Option. KCSE-C+</p>	Engineering Technician II



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 <p>M/S Nduta Mwangi MSc. Biotechnology Health and Environment- (UoN) Bsc. Medical Microbiology from JKUAT</p>	<p>Senior Production Officer- Embakasi</p>
 <p>Dr. Michael Muthamia Kiraithe PhD (University of Freiburg) MSc. Biomedicine BSc. Biomedicine</p>	<p>Research and Development Manager</p>
 <p>Mr. Samwel Mburu BSC. Computer Information System, Cisco Certified Network Associate (CCNA), CCNA- Security, Application Security Specialist (IBM Security Appscan V8.7)</p>	<p>Head of Information Technology</p>
 <p>Mr. Walter Manyibe Nyamwaya LL. B, Post graduate Diploma (KSL), CS II(KASNEB), Advocate of the High Court</p>	<p>KEVEVAPI Secretary</p>

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**IV. CHAIRMAN'S STATEMENT**

KEVEVAPI produces vaccines that are used to prevent outbreaks of livestock diseases which leads to reduced animal production and productivity resulting to insecurity in food and nutrition. It plays a strategic role of producing veterinary vaccines to support livestock production and trade. During the FY under audit, the Institute made sales of vaccine worth Kshs. 363 million despite the effects of Covid 19 pandemic that entailed restricted movement and unavailability of production inputs.

The existing vaccine production laboratories were built in 1957 and are in dire need of improving the infrastructure to be more efficient, and modernize machinery and equipment to enhance vaccines production. During the FY 2020/21, the Institute utilized Kshs 82.266 million on capital improvement out of which Kshs 20 million was a grant from the parent Ministry and Kshs. 62.2 million was from internally generated funds.

The upgrade will lead to the following outcomes:

- (i) Increased Vaccines production from 50 million doses per annum to the 70 doses required.
- (ii) Reduced cost of production and reduced price of vaccines to the farmers.
- (iii) Increase access to local and international markets.
- (iv) Improved revenue generation
- (v) Produce enough vaccines to support trade of livestock and livestock products in the establishment of livestock Export Zones and eradication of trade related disease especially FMD (foot and mouth) disease.
- (vi) Efficiency in vaccine production and hence reduce the lead time on vaccine delivery.
- (vii) Acquire Good Manufacturing Practice (GMP) certification
- (viii) Access to training and research opportunities

With the support of Government in the rehabilitation of our very old plant and Equipment, the Institute can compete competitively with other vaccine Institutes in Africa, Middle East, Asia and Europe. Nothing has come to the attention of the Board of Management to indicate The Institute will not remain a going concern for at least the next twelve months from the date of this statement.

.....  
  
**Chairman: Dr. Geoffrey K. Kibui**

**Date**

15.03.2023



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

Kenya Veterinary Vaccines Production Institute (KEVEVAPI) was established by Government of Kenya as a parastatals Institution on 5<sup>th</sup> March 1990 by Legal Notice No.223 under Cap 446 of the Laws of Kenya. The Institute operates under the auspices of the Ministry of Agriculture, Livestock and Fisheries.

The Institute operated independently until 2003, when it was merged into the Kenya Agricultural Research Institute under the Ministry of Agriculture following implementation of Presidential Circular No.3/2003 of 31<sup>st</sup> July 2003. In July 2008, through the effort of the Ministry of Livestock Development, The Institute reverted to operations as an independent public state

The Institute has the expertise and facilities to produce fifteen livestock vaccines that are considered to be important in the region. Currently we are producing 14 vaccines. Rinderpest vaccine is no longer produced because the disease has been eradicated. Our Laboratories at Embakasi in Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccine production Laboratory.

In order to meet emerging demands, The Institute has embarked on production of three new products. These are an oil-based Foot and Mouth disease vaccine, a thermostable Newcastle disease vaccine and Peste Petits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions. This has a two-pronged expectation: for technology exchanges and dual access to each other's products. Production of major vaccines has increased steadily over time due to increased demand by the County Governments and access to new markets particularly in Uganda, Tanzania, Rwanda, Burundi, UAE, Northern and Southern Sudan. Significant production increases have been for foot and mouth disease, contagious caprine pleuropneumonia, fowl typhoid and Newcastle disease. A rapid response enabled us to produce over 4 million doses of Rift Valley fever vaccine for the Kenyan and Tanzanian livestock industry. The Institute now is in full capacity.

**The mandate of KEVEVAPI**

- To coordinate and undertake production of veterinary vaccines in the country
- To market and distribute veterinary vaccines locally and abroad
- To undertake research with respect to vaccine development and production alone or in collaboration with other institutions
- To develop and produce chemicals, media, and laboratory materials for use in the production of vaccines and other veterinary products
- To provide information in the field on the suitability and effectiveness of veterinary vaccines.



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**BOARD OF DIRECTORS**

The first Board of Management was appointed on 8th may, 2009 by the Minister for Livestock Development through gazette notice No.4791. It was duly inaugurated by the Minister of Livestock Development on 21st June, 2010

KEVEVAPI is managed by a Board of Management, answerable to the Kenya Government, through the Minister for Agriculture, Livestock and Fisheries. The functions and responsibilities of the Board are provided in Legal Notice No. 223 and the State Corporations Act, Cap. 446, Revised 1987. Members of the Board include a non- executive chairman and eight other members appointed by the Minister responsible for Livestock.

The members include:

- Non – executive Chairman appointed by the President
- Chief Executive Officer
- The Permanent Secretary, State Department of livestock.
- The Permanent Secretary, National Treasury.
- Director, Kenya Agricultural Research Institute
- Not more than four other members not being employees of The Institute of whom not more than two shall be public officers appointed by the Minister.

**Committees of the Board**

According to the State Corporation Act (Section 9), KEVEVAPI Board of Directors has three Committees namely: -

- Finance, Human Resource and Administration;
- Technical and Marketing Committee; and
- Audit Committee for the purposes of preliminarily discussing the business of the Board and preparing working minutes for the full Board meetings.

**Current Members of the Board of Directors:**

- Dr. Geoffrey K. Kamau - *Chairman Board of Directors*
- Principal Secretary National Treasury; -
- Principal Secretary, State Department of Livestock.
- Director, Kenya Agricultural and Livestock Research Organization – K.A.L.R.O;
- Mrs. Loise Wanjira Njeru
- Inspector-General (Corporations)-SCAC
- Prof. George Karuoya Gitau
- Dr. Jane W. Wachira—CEO, KEVEVAPI



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**VACCINES PRODUCED BY KEVEVAPI:**

The Institute commercially produces vaccines against the following livestock diseases for country and the regional market. Our Laboratories at Embakasi located at Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccines production Laboratory.

- Foot and Mouth Disease
- Contagious Bovine Pleuropneumonia
- Rift Valley Fever
- Lumpy Skin Disease
- Contagious Caprine Pleuropneumonia
- Sheep and Goat Pox
- Bluetongue
- Orf (Contagious echhyma)
- Peste Petits des Ruminants (PPR)
- Newcastle disease
- Fowl typhoid
- Fowl pox
- Turkey pox

**CONSTRAINTS OF VACCINES PRODUCTION.**

**i. Poor State of Plant and Equipment**

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 billion. The Institute decided to phase the requirement and settled on the minimum requirements to be implemented first costing Kshs. 1,750 million. For the Financial year 2021/22 budget period, we have been allocated Kshs. 20 million grants from Government to enable The Institute attain GMP/ISO standards which will enable The Institute access outside market. We sincerely hope that this will be availed.

Covid 19 pandemic also affected vaccine production due to the Inability and delays to ship raw materials from various countries all over the world into the country either for lack of flight or prioritization of home country supplies. Also lack of flights to certain countries for the export of KEVEVAPI vaccines, high costs of freights and Curfew resulted to fewer working hours

**Chief Executive Officer Dr. Alex Sabuni**

**Sign** 

**Date 15/03/2023**



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**VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES  
FOR FY 2021/2022**

During the period under review, KEVEVAPI had key achievements which included enhancing/strengthening; availability of animal vaccines and information on animal vaccines, market access and products utilization, Research and Innovation, Governance and Corporate Affairs, Human Resource Capacity, financial sustainability of The Institute and leveraging ICT in all operations. This is summarized below

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
<b>Veterinary Vaccines Production and Marketing</b>	1) To enhance availability of animal vaccines and information on animal vaccines	<b>Doses of vaccines produced</b> <b>Vaccines brochures distributed to stakeholders</b>	<ul style="list-style-type: none"> <li>-Increase Vaccine doses produced annually</li> <li>-Introduce new vaccines</li> <li>-Increase partnerships with reputable laboratories on franchising for vaccines</li> <li>- Upgrade plant and equipment</li> <li>- Improve energy management</li> <li>- Widen the scope of marketing</li> <li>- Install biometric access controls</li> <li>-Maintain and improve ISO 9001:2015</li> <li>-Comply with Good - Manufacturing Practices (GMP)</li> <li>-Work towards achieving ISO</li> </ul>	<p>KEVEVAPI was able to produce 16.40 million doses of vaccines against a target of 45.0 million doses. This fell short because of the outbreak of Covid 19 pandemic which affected countries like China and Germany where The Institute import reagents.</p> <p>Upgrading of infrastructure including tapping of solar energy</p> <p>The Institute partnered with MCI morocco to make available Enterotoxaemia, pasteurilla and Rift valley fever vaccines in Kenya.</p> <p>The Institute maintained continuous improvement in ISO</p>



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			17025 Accreditation	9001:2015 and worked towards good manufacturing practices and ISO 17025 accreditation.
	2) To enhance market access and products utilization	<b>vaccines sale</b> <b>Farmers engaged</b>	Increased sales  Participate in Farmers forums	Sales were Kshs. 363 million against a target of Kshs 511 million due to Covid 19 effects  This activity was hindered because of Covid 19 social distancing requirement.
<b>Research and Innovation</b>	1) Upscale research in vaccines	-No. of qualified staff under research  -Collaboration with other institutions and labs	Employ Chief Research Officer (CRO) Vaccine failure investigation  Engage other organizations	CRD employed  Held forums to educate farmers and stakeholders on handling of vaccines. The forums included ASK shows and Farmers field days.  Collaborated with MCI Morocco and KALRO
<b>Institutional Capacity</b>	1) To strengthen Governance and Corporate Affairs	good corporate governance  Improved institute visibility  Minimized risks	Training Board of management on Governance, Finance, and procurements Improving Institute Website Identifying Areas of Risks and minimization	Board trained on Governance, Finance, and procurements Improve Institute Website Departments identified risks and sensitization of staff

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	2) To Strengthen Human Resource Capacity	<p>optimal human resource levels</p> <p>No of staff trained</p> <p>Improve work environment and staff welfare</p> <p>Mainstream cross cutting issues</p>	<p>Recruitment</p> <p>Training</p> <p>Conduct cross cutting sensitization</p> <p>Motivate staff</p>	<p>Chief Human Resources and Senior Procurement Officer recruited</p> <p>Staff trained on professional courses and senior management courses.</p> <p>Development of reward policy, medical insurance in place</p>
	3) To strengthen financial sustainability of the Institute	<p>Enhance resource mobilization</p> <p>Manage resources prudently</p>	<p>Participate in resource bidding at the sector level</p> <p>Effect cost cutting measures</p>	<p>KEVEVAPI given a development grant of Kshs 20 million</p> <p>Reduced costs as evidenced in the financial statements</p>
	4) To leverage ICT in all operations	<p>Automate KEVEVAPI's operations</p> <p>Enhance security of information systems</p>	<p>ERP Implementation</p>	<p>Installed local area network to support ERP system which is under implementation</p>



## **VII. CORPORATE GOVERNANCE STATEMENT**

Corporate governance refers to the principles, processes, and practices by which an organization is operated, regulated and controlled so as to fulfill its goals and objectives in a manner that adds value and benefits to all its stakeholders.

The Kenya Veterinary Vaccines Production Institute's (KEVEVAPI) corporate governance statement shall contribute to clarify the roles between the stakeholders, the board of management and the management of KEVEVAPI.

Good and transparent management of and control over the business will provide the basis for creating long-term value for the institute, employees, other stakeholders, and society in general and, thereby, sustainable and permanent value creation. The roles shall build trust among the stakeholders through predictability and credibility. Open and accessible communication will ensure that The Institute maintains a good relationship with society in general and the stakeholders affected by the institute's activities in particular. Board meetings & Members' Attendance.

During the Financial year 2021/22 the Board held 4 Full Board meetings, 12 Board Committee meetings (one per quarter for each of the three Board Committees) and 5 Special Full Board meetings to handle urgent matters. All the meetings were attended by the requisite quorum. Besides the meetings, the Board held 2 Board retreats to deliberate on the Institute's 2018-22 Strategic Plan and a board training session lasting 3 days. The Board also appointed various subcommittees to attend to disciplinary cases touching on senior staff and to handle staff unrest and conduct negotiations with the Union representing unionsable staff in the Institute.

The Board developed and adopted the charter that is currently in use in January 2018. The Charter is currently under review by the Board.

The Institute's Board members are appointed by the Cabinet Secretary Ministry of Agriculture Livestock and Fisheries while the Board Chairman is appointed by the President in line with Article 27 of the Constitution.

Functions of the Board are: to determine the organizations' mission, vision, purpose and core values; setting and overseeing the overall strategy and approving of significant policies of the organization; Ensuring that the organizations strategy is aligned to the long-term goals of the organization on sustainability; approval of the organization structure; approval of the organization's annual budget; monitoring the organizations' performance and ensuring sustainability; ensuring availability of adequate resources for the achievement of the organization's objectives; ensuring effective communication with stakeholders; and appointment of the organizations' Chief Executive Officer.



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The Institute inducts all new Board members prior to the Board members embark on discharging their functions. The Institute also ensures that all Board members are taken through the induction on the Code of Governance for State Corporations by State Corporations Advisory Committee (SCAC). The Institute's Board Member Performance is evaluated annually by the Staff Advisory Committee in line with the Code of Governance for State Corporations (Mwongozo). For the FY 2020/21 the Board was evaluated on 11th August 2021. The Total Board score was 96.0%.

Conflict of Interest is declared by all members by signing a Board Conflict of interest register prior to any Board meeting. Any declared conflict of interest is captured in the meetings minutes.

The Institute remunerates Board members through payment of attendance allowances as per the Circular Ref. No. OP/CAB.9/21/2A/LII/43 dated 23rd November 2004 and OP/SACA.9/21.2 VOL.1(164) of 28th April, 2015 vis Accommodation & Subsistence Allowance for Chairmen & Board Members of State Corporations.

The institute's value base is described in KEVEVAPI's code of conduct, and the guidelines for ethics and corporate responsibility have been designed on the basis of the code. KEVEVAPI adheres to the State's principles for sound corporate governance as described in the State Corporation act cap 446, The Constitution of Kenya 2010 and The Code of Governance for State Corporations (Mwongozo), and is subject to the reporting requirements relating to corporate governance pursuant to Public Finance Management Act. The Board developed and adopted the Code of Conduct and Ethics that is currently in use in January 2018. The code aims at guiding board directors in order to help them carry out their roles with integrity and compliance with the law. The members have all signed the code and are all bound by it. Unfortunately, however, The Institute has not carried out a governance audit in the recent past due to lack of accredited governance auditors from the State Corporations Advisory Committee.



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**VIII. MANAGEMENT DISCUSSION AND ANALYSIS**

The entity's operational and financial performance

Kenya's livestock sector contributes about 12% of the country's Gross Domestic Product (GDP) and accounts for nearly 50% of the agricultural sector's GDP. It is the main source of livelihood to the people in the ASALs accounting for 90% employment and more than 95% of family incomes for the people in these areas. In the high potential areas, the sector provides employment and incomes through dairy production.

The rural-based nature of livestock activities makes livestock keeping a suitable enterprise to improve household incomes and contribute to sustainable livelihoods for many people in the rural areas. The sector therefore contributes significantly to poverty reduction in the country.

The 2009 population and housing census revealed that Kenya has a massive livestock resource comprising of 3.4 million exotic cattle, 14.1 million indigenous cattle, 17.1 million sheep, 27.7 million goats, 2.9 million camels 25.8 indigenous chicken and 6.1 million exotic chickens. This is an important resource that if tapped could create more wealth and employment in the country thereby contributing significantly to poverty reduction. The Kenya Veterinary Vaccine Production Institute (KEVEVAPI) is mandated to protect this important resource. As the country gears up towards the realization of the goals of the Kenya Vision 2030, many challenges are bound to arise, key among them being the outbreak of livestock diseases.

The Institute has the expertise and facilities to produce fifteen livestock vaccines that are considered to be important in the region. Currently we are producing 14 vaccines. Rinderpest vaccine is no longer produced because the disease has been eradicated. Our Laboratories at Embakasi in Industrial area produces the Foot and Mouth Disease vaccine. All our other vaccines are produced at our Kabete vaccine production Laboratory. In order to meet emerging demands, The Institute has embarked on production of three new products. These are an oil-based Foot and Mouth disease vaccine, a thermos stable Newcastle disease vaccine and PestePetits des Ruminants (PPR) vaccine. Other approaches include signing of Memoranda of Understanding with relevant sister institutions.

**SECTION A**

The Institute performance in terms of Sales and profitability for the year was low because of decreased sales to External market and County Government.

The Institute performance is as follows in Kshs 'Millions:

**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

Financial Year	2019/20	2020/21	2021/22
Sales	402.8	375.2	363.1
Production Costs	303.9	344.1	372.2
Gross Profits	98.9	31.1	(9.1)
Administration Expenses	92.4	134.4	131.3



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**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

The institute vaccine sales amounted to Kshs. Kshs.402.8 million in FY 2019/20 due to increased sales to foreign market customers, County Governments, and resilient project. But because of COVID 19 pandemic that entailed restricted movement, unavailability of production inputs thus lacking vaccine stock when required by customers, the sales dropped to Kshs. 375.2 million in FY 2020/21 and Kshs. 363.1 million in the FY 2021/22

**In terms of Ratios indicators, the performance was as follows:**

	RATIOS	Budget 2021/22	2021/22	2020/21
i.	Gross Profit Margin	28.13%	(2.50%)	8.29%
ii.	Net Profit Margin	4.16%	(27.4%)	(20.89%)
iii.	Current Asset Ratio	20.46:1	12.88:1	12.31:1
iv.	Assets Turnover	19.92%	15.89%	15.77%
v.	Return on Assets	0.83%	(4.36%)	(3.30%)

**Explanations On Ratios**

**i. Gross Profit Margin-**

Gross profit margin is gross income (revenue less cost of goods sold) divided by net revenue. The ratio reflects pricing decisions and product costs. In this case our score is low as compared to the budget and last year due to Lack and delay in delivering raw materials to produce vaccine due to effects of Covid 19. This led to long periods of down time awaiting arrival of raw materials. Example KEVEVAPI ordered for production reagents from Merck Germany in August 2020 but the reagents were received in bits with the last consignment arriving in April 2022. The long down time affected scheduled production hence low volumes of vaccines produced.

**ii. Net Profit Margin-**

Net profit margin compares a company's net income to its net revenue. This ratio is calculated by dividing net income, or a company's bottom line, by net revenue. It measures a firm's ability to translate sales into earnings for shareholders. We are low on this because of the reduced sales as per (1) above.

**iii. Current Asset Ratio-**

The current ratio measures a company's current assets against its current liabilities. The current ratio indicates whether a company can pay off its short-term liabilities in an emergency by liquidating its current assets. The ideal is 1:1 and therefore 12:88 is good for the institute.

**iv. Assets Turnover:**

Asset turnover measures how efficiently a company uses its total Assets to generate revenues. The formula to calculate this ratio is simply net revenues divided by average total assets. We are below the budget on this ratio compared to the budget because of the shortfall in revenue target.



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**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

**v. Return on Assets**

Return on assets is calculated as net income divided by total assets. It is a measure of how efficiently a firm utilizes its assets. We fell short of our budget on this as a result of the shortfall in meeting our sales target for the financial year.

**SECTION B**

**Entity's compliance with statutory requirements**

The entity's financial statements have been prepared in accordance with and comply with the International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied in all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is two parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows: -

- i) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively.
- ii) HCCC ELC Civil Suit No. 945 of 2012 Jasper Singh Birdi vs KEVEVAPI. Land measuring 0.4047 hectares or thereabout.

**SECTION C**

**Key projects and investment decisions the entity is planning/implementing**

**(a) Poor State of Plant and Equipment**

The main constraint arises from the use of old production systems. The process of upgrading of the old production system is ongoing in phases to uplift the standards of the laboratories. Upgrading of the plant require Kshs 5.6 billion. For the current phase, Kshs 1.750 billion was required. For the budget period, KEVEVAPI was allocated Kshs. 20 million to enable The Institute attain GMP/ISO standards resulting in The Institute being able to access outside market. We also ploughed back Kshs. 62.286 million from the reserves. We sincerely hope that the government will consider availing more grants in the 2022/23 financial year.



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**MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

**SECTION D**

**Major Risks/Assumptions facing the entity**

The Institute does not have major risks, but the risks and assumptions made are as follows:

- a) Vaccination of Livestock is basically under the County Governments and Director of Veterinary Services and KEVEVAPI is only a producer. The survival of The Institute is very much tied in with the activities of the Counties and DVS. We assume that the GOK will continue to facilitate the vaccination activities of the DVS and the County Governments in the coming years and especially the full activation of the disease-free zones. Livestock Industry supports a lot of families in Kenya and is a big contributor to the National economy.
- b) KEVEVAPI has court cases affecting its 77.67 hectares' land in Embakasi and part of its 151.2 hectares at Limuru. Assumption is made that The Institute will get favorable ruling and reclaim its land in full.
- c) It is assumed that the political situation will remain stable especially in our neighboring countries as we endeavor to expand our export market. Somalia has a very huge population of livestock and would be a very big market for KEVEVAPI.
- d) We also assume that economic performance within Kenya and the region will remain stable, so that our vaccines remain affordable to all farmers, big and small.
- e) The assumption is also made that the development Grant requested will be approved

**SECTION E**

**Material arrears in statutory/financial obligations**

Though we expected to generate Pre-tax profits of Kshs. 21.279 million in the financial year 2021/2022, The Institute fell short of this target and made a loss of Kshs. 99.489 million because Global Production of Covid 19 vaccine and Veterinary Vaccines use the same reagents, this caused lack/ delay in delivery of production reagents for veterinary vaccine production. The shortage caused long periods of down time affecting the vaccine production schedule hence low volumes of vaccines availed in the market. The Institute has come up with a five-year plan to revamp KEVEVAPI and transform it into a modern bio-secure institution for production of high-quality vaccines for both domestic and international markets in order to meet the Good Manufacturing Practices (GMP) requirements. The phased project cost will be approximately, Kshs. 1.75 billion, spread over 5 years. We sincerely hope that the government will approve the required grant to enable The Institute upgrade to attain GMP standards thereby accessing international markets and avoiding over-reliance on local market.



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**IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KEVEVAPI will be a good corporate citizen in all its activities. In brief, this means that The Institute will produce and market veterinary vaccines based on environment-friendly sources of energy, use sustainable, safe, and efficient production methods, and behave in a responsible and ethical manner in the production, supply and marketing of veterinary vaccines.

KEVEVAPI shall be a safe place to work. All work shall be planned and executed so that the zero injuries objective is achieved. KEVEVAPI's safety culture shall be characterized by transparency and a desire to learn, both from own mistakes and from successful improvement measures. Biosafety and biosecurity will be a priority of The Institute through an elaborate bio-risk management system.

As a veterinary vaccine producer, KEVEVAPI is involved in several corporate social responsibility activities in different parts of the country. These are mostly rural-based livestock activities geared to making livestock keeping a suitable enterprise to improve household incomes and contribute to sustainable livelihoods for many people in the rural areas. KEVEVAPI participates in field days to sensitize farmers on available products.

KEVEVAPI allocate a minimum 30% of its procurements to youth, women and persons with disabilities and allocate at least 2% of the 30% of the budget to Persons with Disabilities (PWDs). The Institute pre-qualify the registered groups as an affirmative action in all quarters, build the capacity of the target groups youth, women, and persons with disabilities groups through sensitization on: government procurement procedures; the requirements for accessing government procurement opportunities; and the specific opportunities available. KEVEVAPI promotes of consumption of Local Content by reserving a minimum of 40% of the procurement.

For the Financial Year 2021/22, KEVEVAPI sponsored several Kenya Veterinary Association field days where Dairy farmers and professionals were sensitized on how to improve the health of livestock thus sustain farmer's livelihood.

KEVEVAPI shall be a safe place to work maintains a hiring process that consider the gender ratio, engage stakeholder and is under continues improvement. Staff are under continuous improvement through technical and professional training to improve skills and managing careers.

The institute was involved in borehole drilling works at Kamuketha, Ntumburi Area in Meru County. The community are needy pastoralists with no source of water for their livestock and for domestic consumption. The scope of works being borehole drilling, installation of Casings, gravel packing, development, test pumping, water quality analysis and registration with the Ministry of water and Irrigation and presentation of the borehole completion report. The costs of the project for the year was Kshs.2,2 million. The community requested for the help though the parent ministry and was fully involved during the drilling activity and donation of land.



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**X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the institute's affairs.

**Principal activities**

The principal activities of the Institute are to: coordinate and undertake production of veterinary vaccines in the country, market and distribute veterinary vaccines locally and abroad, undertake research with respect to vaccine development and production alone or in collaboration with other institutions, develop and produce chemicals, media, and laboratory materials for use in the production of vaccines and other veterinary products and to provide information in the field on the suitability and effectiveness of veterinary vaccines.

**Results**

The results of the entity for the year ended June 30, 2022 are set out on page 1-5.

**Dividends**

KEVEVAPI made a Loss of Kshs. 99.489 million during the FY 2021/22. In the previous years any profits made was ploughed back for Capital investment which will enable The Institute access international markets for vaccines. To access this market, Good Manufacturing Practices (GMP) certification is a requirement. The Institute has been pursuing this through a five-year plan as a project. The project requires heavy investment in infrastructure development and The Institute intends to plough back the profits generated towards the project as per its dividend policy. This will enable the government, the only shareholder to earn capital gain rather than dividend payout

**Directors**

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

**Auditors**

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

By Order of the Board

Sign 

**Dr. Dr. Alex Sabuni**

**Corporate Secretary/Secretary to the Board**

Date .....15/3/23.....



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**XI. 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 the institute, which give a true and fair view of the state of affairs of The Institute at the end of the financial year ended 30 June 2022 and the operating results of The Institute for that year. The Directors are also required to ensure that The Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the institute. The Directors are also responsible for safeguarding the assets of the institute.

The Directors are responsible for the preparation and presentation of the institute's financial statements, which give a true and fair view of the state of affairs of The Institute for and as at the end of the financial year ended June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the institute; (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 institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

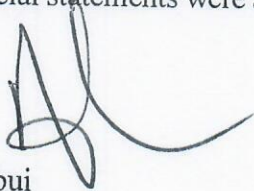
The Directors responsibility for the institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act.


The Directors are of the opinion that the institute's financial statements give a true and fair view of the state of institute's transactions during the financial year ended June 30, 2022, and of the institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the institute, which have been relied upon in the preparation of the institute'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 Institute will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Institute's financial statements were approved by the Board on 05 August, 2022 and signed on its behalf  
by:

  
Dr. Geoffrey K. Kibui  
Chairman of the Board:

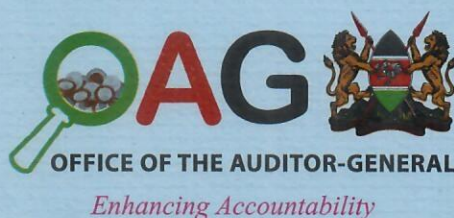
  
Dr. Alex Sabuni  
Chief Executive Officer





# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KENYA VETERINARY VACCINES PRODUCTION INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Veterinary Vaccines Production Institute set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of



significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Veterinary Vaccines Production Institute as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the State Corporations Act, Cap 446 and the Public Financial Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Long Outstanding Receivables**

The statement of financial position reflects net trade and other receivables balance of Kshs.449,314,000 and as disclosed in Note 18 to the financial statements. The balance increased by Kshs.197,365,000 equivalent to 78% more of the balance of Kshs.251,949,000 reported in 2020/2021 financial year. Although Management made a provision against the long outstanding debts amounting to Kshs.4,507,000 the provision appears inadequate with the growing receivables balance.

In the circumstances, the recoverability of the long outstanding accounts receivables totalling Kshs.449,314,000 as at 30 June, 2022 could not be confirmed.

#### **2. Motor Vehicles Without Logbooks**

The statement of financial position reflects property, plant and equipment balance of Kshs.602,106,000 and as disclosed in Note 15 to the financial statements which includes motor vehicles with a net book value of Kshs.1,365,000. However, one motor vehicle and one trailer did not have ownership documents while three (3) vehicles were registered under the defunct Kenya Agriculture Research Institute (KARI) yet they were in the custody and control of the Institute. No explanation was provided for the failure to transfer the ownership of the vehicles to the Institute.

In the circumstances, the ownership status of the four (4) motor vehicles with a net book value of Kshs.1,365,000 could not be confirmed.

#### **3. Fixed Assets Register**

The statement of financial position reflects property, plant and equipment balance of Kshs.602,106,000. However, the Institute did not maintain a proper fixed asset register. The register provided for audit did not comply with the guidelines provided by The National Treasury template and lacked critical information including the source of funds, date of delivery, depreciation, net book value of assets and the responsible personnel for the assets. Motor vehicle details were also not indicated in the asset register.

In the circumstances, the existence, ownership, and valuation of assets with a cumulative net book value of Kshs.602,106,000 as at 30 June, 2022 could not be confirmed.



#### **4. Corporate Social Responsibility**

The statement of profit or loss and other comprehensive incomes reflects an amount of Kshs.119,555,000 in respect of administration costs. Included in this amount is an expenditure of Kshs.2,255,000 under corporate social responsibility (CSR) as disclosed in Note 11 to the financial statements. The Institute incurred the expenditure on drilling and installation of a borehole at Kamuketha in Meru County. Although the initial contract sum was for Kshs.2,255,000 the Geologist noted that there was need to resurvey another drilling point after the first site collapsed. The Geologist also noted that the original Bill of Quantities had arithmetic errors. The cost of drilling the second site and the correction of arithmetic errors increased the cost to Kshs.3,701,000. This resulted in the Institute exceeding the approved budget of Kshs.2,000,000 by Kshs.1,701,000.

Further, Management did not provide for audit, documents to support the criteria used in identifying the corporate social responsibility activity nor explain why a proper feasibility study was not done prior to the project implementation. In addition, there was no evidence that the drilling was authorized and approved by the Water Resource Authority and National Environment Management Authority among other government institutions.

In the circumstances, the regularity of the expenditure of Kshs.2,255,000 for year ended 30 June, 2022 on corporate social responsibility could not be confirmed. In addition, value for money may not have been realized.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.544,260,000 and Kshs.403,798,000 respectively resulting to a shortfall of Kshs.140,462,000 (or 26%) of the projected income. Similarly, the statement of comparison of budget and actual amounts reflects final expense budget and actual on comparable basis amounts of Kshs.360,000,000 and Kshs.82,286,000 respectively, resulting to an under absorption of Kshs.277,714,000 (or 77%) of the projected expenditure.

As a result of under collection of revenue and under expenditure, the planned activities of the Institute may not have been realized thus impacting negatively on service delivery to the public.



# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## Conclusion

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

## Basis for Conclusion

### 1. Non-Compliance with One Third of Basic Salary Rule

During the year ended 30 June, 2022, a sample analysis of the staff payrolls revealed that five (5) employees earned less than one third (1/3) of their basic salary in the months of October, 2021, November, 2021, January, 2021, May, 2022 and June, 2022. This was in contravention of Section 19(3) of the Employment Act, 2007 that provides that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

### 2. Irregular Payment of Acting/Special Duty Allowance

The statement of profit or loss and other comprehensive incomes reflects administration costs of Kshs.119,555,000 which includes expenditure of Kshs.70,395,000 on staff costs as disclosed in Note 11 to the financial statements. Review of the payroll and other staff records revealed that three (3) employees, continued to serve in acting capacity and received acting and special duty allowances beyond six (6) months contrary to Section 4.5.6 and 4.6.4 of the Kenya Veterinary Vaccines Production Institute Human Resource Policy Manual which provides that appointment on acting basis is a temporary measure pending substantive filling of vacant post and limited to a continuous period of 6 months and that the maximum period for payment of special duty allowance is six (6) months.

In the circumstances, Management was in breach of Section 4.5.6 and 4.6.4 of the Institutes Human Resource Policy Manual.

### 3. Appointment of Board Members

Review of the Board records and the Board members' files revealed that one (1) board member who was gazetted on 6 October, 2021 did not have an appointment letter contrary to Mwongozo code governance parameters 1.1 on appointment of board of directors which provides that each board member shall be formally appointed to the board by name through a gazette notice and an appointment letter. No evidence was provided for audit to confirm that Management was pursuing the appointment letters from the parent ministry.



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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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



The Board of Directors is responsible for overseeing the Institute'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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 Institute's policies and procedures may deteriorate.

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



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 Institute's ability to continue as a going concern. 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 Institute to cease to continue as a going concern.
- 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 Institute 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 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

03 May, 2023







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**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE, 2022**

		<b>2021/22</b>	<b>2020/21</b>
	<b>Notes</b>	<b>Kshs'000</b>	<b>Kshs'000</b>
<b>Revenue</b>			
Sale of Vaccines	6	363,073	375,169
Cost of Goods Sold	7	372,162	344,053
<b>Gross Profit</b>		<b>(9,089)</b>	<b>31,116</b>
Finance income –Bank Interest earned	8	22,176	22,819
Other income-Sundry income	9	4,633	898
Other Gains	10	13,916	1,247
<b>Total Revenue</b>		<b>31,636</b>	<b>56,080</b>
<b>Operating Expenses</b>			
Administration costs	11	119,555	114,230
Selling and distribution costs	12	4,900	9,024
Finance costs	13	-	-
Board Expenses	14	6,801	11,208
<b>Total Operating Expenses</b>		<b>131,256</b>	<b>134,462</b>
<b>Loss before tax</b>		<b>(99,620)</b>	<b>(78,382)</b>
Taxation		-	-
<b>Loss for the period</b>		<b>(99,620)</b>	<b>(78,382)</b>



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**XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Notes	2021/22	2020/21
		Kshs'000	Kshs'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	602,106	605,893
Intangible Assets	16	1,221	
<b>Total Non-current assets</b>		<b>603,327</b>	
<b>Current assets</b>			
Inventories	17	593,648	573,700
Trade and other Receivables	18	449,314	251,949
Prepayment	19	4,703	6,015
Bank and cash Balances	20	633,515	939,969
<b>Total Current Assets</b>		<b>1,681,180</b>	<b>1,771,633</b>
<b>Total assets</b>		<b><u>2,284,507</u></b>	<b><u>2,377,526</u></b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Capital fund	21	367,249	367,249
Capital grant	22	1,166,274	1,146,274
Revaluation reserve	23	272,829	272,829
Retained Earnings	24	347,644	447,264
<b>Capital and Reserves</b>		<b><u>2,153,996</u></b>	<b><u>2,233,616</u></b>
<b>Current liabilities</b>			
Trade and other payables	25	27,667	30,615
Payments received in advance	26	102,844	113,295
<b>Total liabilities</b>		<b>130,511</b>	<b>143,910</b>
<b>Total Equity and Liabilities</b>		<b><u>2,284,507</u></b>	<b><u>2,377,526</u></b>

The Financial Statements were approved by the Board on 05<sup>th</sup> August 2022 and signed on its behalf by:



Date... 15/8/2022

**Name: Dr. Alex Sabuni**  
**Chief Executive Officer**



Date... 11/8/2022

**Name: Peter M. Gitau**  
**Head of Finance**

ICPAK M/NO: 15878



Date... 15.08.2022

**Name: Dr. Geoffrey K. Kibui**  
**Chairman of the Board**



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**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Ordinary Share Capital</b>	<b>Revaluation Reserve</b>	<b>Retained Earnings</b>	<b>Capital /Development Grant</b>	<b>Total</b>
	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>	<b>Kshs '000</b>
Balance as at July 1, 2020	367,249	272,829	525,646	1,101,274	2,266,998
Surplus/Deficit for the period	-	-	(78,382)	-	(78,382)
Surplus to the Treasury					
Additional GOK Grant	-	-		45,000	45,000
Balance as at 30 June 2021	<b>367,249</b>	<b>272,829</b>	<b>447,264</b>	<b>1,146,274</b>	<b>2,233,616</b>
Surplus/Deficit for the period	-	-	(99,620)	-	(99,620)
Surplus to the Treasury					
Additional GOK Grant	-	-		20,000	20,000
Balance as at 30 June 2022	<b>367,249</b>	<b>272,829</b>	<b>347,644</b>	<b>1,166,274</b>	<b><u>2,153,996</u></b>

See note 20,21,22 and 23



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

	<b>Note</b>	<b>2021/22 Kshs'000</b>	<b>2020/2021 Kshs'000</b>
<b>Cash flows from operating activities</b>			
Loss for the period		(99,620)	(78,382)
Add Depreciation& Amortisation	15&16	84,852	75,273
Provision for bad debts	11c	1,998	1,183
Operating Loss		<b>(12,770)</b>	<b>(1,926)</b>
<b>Working Capital Changes</b>			
Increase in stocks	17	(19,948)	(53,058)
Increase in Receivables	18	(199,363)	(119,771)
Decrease in Payables	25&26	(13,399)	(48,428)
Decrease in prepayment	19	1,312	(3,138)
<b>Net cash outflow from operating activities</b>		<b>(244,168)</b>	<b>(226,321)</b>
<b>Investing Activities</b>			
Purchase of Property, Plant and Equipment	15	(80,455)	(116,141)
Purchase of Intangible Assets	16	(1,831)	-
<b>Net Cash used in Investing Activities</b>		<b>(326,454)</b>	<b>(342,462)</b>
<b>Financing Activities</b>			
GOK Capital Grant	21	20,000	45,000
<b>Net Decrease In Cash &amp; Cash Equivalents</b>		<b>(306,454)</b>	<b>(297,462)</b>
<b>Cash and Cash Equivalents At 1 JULY,2021</b>	20	<b>939,969</b>	<b>1,237,431</b>
<b>Cash and cash equivalents at 30 JUNE,2022</b>	20	<b>633,515</b>	<b>939,969</b>



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

	Original Budget	Adjustments	Final Budget	Actual On Comparable Basis	Performance Difference	% Of utilization
	Kshs'000	Kshs'000	Kshs '000	Kshs '000	Kshs '000	%
Revenue	A	B	C=(a+b)	D	e=(d-c)	F=d/c
Other Income	4,000	0	4,000	4,633	633	116
Finance Income	6,260	-	6,260	13,916	7,656	222
Interest Incomer	23,000	-	23,000	22,176	-824	96
Sale of vaccines	511,000	-	511,000	363,073	-147,927	71
<b>Total Revenue</b>	<b>544,260</b>	<b>0</b>	<b>544,260</b>	<b>403,798</b>	<b>-140,462</b>	<b>74</b>
Expenses					e=(c-d)	
Depreciation	66,223	0	66,223	84,852	-18,629	128
Repair and Maintenance	20,200	-	20,200	9,521	10,679	47
Administrative Expenses	24,800		24,800	25,382	-582	102
Contracted Services	24,000		24,000	17,450	6,550	73
Insurance& Medical	30,000		30,000	25,456	4,544	85
Board Expenses	15,000		15,000	6,801	8,199	45
Compensation of employees	199,742	-	199,742	155,803	43,939	78
Cost of Sales	143,016	0	143,016	178,153	-35,137	125
<b>Total expenditure</b>	<b>522,981</b>	<b>0</b>	<b>522,981</b>	<b>503,418</b>	<b>19,563</b>	<b>96</b>
<b>Loss for the period</b>	<b>21,279</b>	<b>0</b>	<b>21,279</b>	<b>-99,620</b>	<b>120,899</b>	<b>-468</b>
<b>Capital Expenditure</b>	<b>400,000</b>	<b>-40,000</b>	<b>360,000</b>	<b>82,286</b>	<b>277,714</b>	<b>23</b>



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**Budget notes**

1. Other Income – The Institute earned sundry income of Kshs 4.633 million from investment at Limuru farm and sale of eggs, hay and Napier grass
2. Finance Income – The dollar was strong compared to Kenya shilling therefore the rise in foreign exchange gain. (The rate of change of \$.1 to Kenya shilling was 107.85 30/06/2021 compared to 117.8324 on 30/06/2022.
3. Interest Income – The Institute earned interest of Kshs 22.176 million bank interest from a call account it had opened and placed amounts received in advance from clients.
4. Sale of vaccines- This is market driven therefore if there is less demand from our customers, we experienced less sales. This was majorly caused by the Covid 19 pandemic.
5. Depreciation –The institute provided for depreciation and amortization of Kshs 84.852 because of the extra assets procured within the year.
6. Repair and maintenance – The installation of new equipment and machines has reduced the cost of repairs and maintenance.
7. Administrative Expenses -This was slightly higher because of purchases made towards the control of Covid 19 pandemic.
8. Contracted Services - This was less because of the Covid 19 pandemic which restricted social gathering as a way of curbing it.
9. Insurance and Medical- This was less because of the cost cutting measures The Institute had put in place.
10. Board Expenses – This was less because of the Covid 19 pandemic which restricted social gathering as a way of curbing it.
11. Employees Costs- The Institute expected to recruit additional technical & administration staffs on permanent basis but this did not happen within the year. We expect this to happen in the FY 2022/2023.
12. Cost of sales - This was high as a result of increased costs of imported production inputs as a result of COVID 19 restrictions on travel.
13. Capital expenditure -The Institute spend less on equipment and machinery due to the nature of the specialized equipment and most of them have to be imported or customized and manufactured specifically for the institute.



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**Notes to the Financial Statements**

**1. General Information**

Kenya Veterinary Vaccines Production Institute (KEVEVAPI) is established and derives its authority and accountability from Cap 446 of the laws of Kenya on 5th March 1990 through legal notice No. 223 of 4th June, 1990. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide high quality, affordable veterinary vaccines and services contributing to an improved quality of life for all Kenyans

**2. Statement of compliance and basis of preparation**

The entity's financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

**3. Application of New and Revised International Financial Reporting Standards (IFRS)**

The Institute did not early adopt any new or amended standards in year 2021/22.

**4. Summary of significant accounting policies**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a) Revenue recognition**

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.



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**Notes to the Financial Statements (Continued)**

- ii) **Grants from National Government** are recognized in the year in which the entity actually receives such grants. Development/capital grants are recognized in the statement of financial position.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Other income** is recognized as it accrues.

**b) In-kind contributions**

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**c) Property, Plant and Equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement

The Institute has contracted University of Nairobi Enterprises and Services Limited (UNES) to undertake valuation of its assets and when complete, the value of the Institute Assets (Land, Building, Plant & Machinery, Office Equipment, Furniture and Fittings and Motor Vehicles will change.



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**Notes to the Financial Statements (Continued)**

**Summary of significant accounting policies**

**d) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Land	nil
Buildings	2%
Laboratory Equipment	12.5%
Plant and Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%
Amortization for intangibles Asset	33.333%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**e) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**f) Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.



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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies**

**g) Taxation**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**h) 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 reporting period.

**i) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.



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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies**

**j) Retirement benefit obligations**

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

**k) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**l) Budget information**

The original budget for FY 2021-2022 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.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved Budget.



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**Notes to the Financial Statements Continued)**

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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 xvi of these financial statements.

**Notes to the Financial Statements Continued)**

**m) Comparative figures**

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

**n) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IFRS 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.

**a) 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 financial statements were prepared.



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**Notes to the Financial Statements Continued)**

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.

**b) 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:

- i. The condition of the asset based on the assessment of experts employed by the Entity
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the assets

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 11. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Example: provision for bad debts and provisions of obsolete stocks

**d) Contingent liabilities**

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

**e) Employees Costs:**

Salaries, Pension & National Social Security Fund payment for and Commuter Allowances paid to employees are apportioned between Cost of production and Administration at the ratio of 0.67: 0.33. This was based on the assignment of the employees' costs to the staff working in the two respective classes.



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**Notes to the Financial Statements (Continued)**

**6.Revenue**

Description	2021-2022			2020-2021		
	US \$ '000	Ksh '000	Total Kshs' '000	US \$'000	Kshs'000	Total Kshs' '000
Sales on Account	1,936.288	116,280		1,394.536	185,565	
Cash Sales	57.21	24,035		54.55	31,468	
Sub Total	1,993.50	140,315		1,449.086	217,033	
Conversion Rates	Various	-		Various	-	
<b>Total Kshs</b>	<b>222,758</b>	<b>140,315</b>	<b>363,073</b>	<b>158,136</b>	<b>217,033</b>	<b><u>375,169</u></b>

**7.Cost of Sales**

Description	2021/22 Ksh'000	2020-2021 Ksh'000
Production Materials	60,920	32,117
Direct Labour	83,652	78,562
Other Staff Benefits	17,820	16,913
General Expenses attributable to production	88,556	97,550
Power, water, Fuel & Gases attributable to production	27,415	24,790
Maintenance, Repairs & Security attributable to Production	16,463	24,384
Depreciation attributable to production	76,726	69,737
Amortization attributable to production	610	
<b>Total production and Manufacturing Expenses</b>	<b>372,162</b>	<b>344,053</b>

**8.Finance Income**

Description	2021/22 Ksh'000	2020-2021 Ksh'000
Interest earned from KCB MOI AVENUE Call Account	21,906	22,799
Interest earned from Car and Mortgage Kshs account	250	0
Interest earned from KCB KICC Kshs Account (1109016492)	20	20
Interest earned from KCB KICC USD Account(1102301108)	0	0
<b>Total</b>	<b><u>22,176</u></b>	<b><u>22,819</u></b>

**9.Other Income**

Description	2021/22 Ksh'000	2020/21 Ksh '000
Limuru Farm	4,092	240
Sundry income	541	658
<b>Total</b>	<b><u>4,633</u></b>	<b><u>898</u></b>



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**Notes to the Financial Statements (Continued)**

**10. Other Gains and Losses- Gain on Foreign Exchange Transactions**

Description	2021-2022 Ksh'000	2020-2021 Ksh'000
Foreign exchange gains / (losses)	1,070	(1,567)
Unrealized foreign exchange gains/(losses)	12,846	2,814
<b>Total</b>	<b>13,916</b>	<b>1,247</b>

**11. Administration Costs**

Description	2021-2022 Ksh'000	2020-2021 Ksh'000
Staff costs (note 11b)	70,395	66,333
Communication services and supplies	5,888	5,606
Local Travel and subsistence	5,715	3,188
Foreign Travel and subsistence	43	680
Motor vehicles	1,122	894
Advertising, printing, stationery and photocopying	2,008	1,199
Staff training expenses	6,023	5,095
Office, Hospitality supplies and services	3,808	3,539
Bank charges and commissions	535	302
Auditors' remuneration	580	580
Legal fees	6,200	8,446
Consultancy fees	3,263	1,008
Licenses and permits/Subscription	1,308	1,283
Repairs and maintenance	465	525
Provision for bad and doubtful debts (note 11c)	1,998	1,184
Depreciation	7,516	5,534
Other Operating Expenses-CSR	2,255	-
Other Operating Expenses-Covid 19 mitigation	312	1,568
Other Operating Expenses -Withholding tax	-	7,266
Miscellaneous Expenses-Limuru	121	-
<b>Total</b>	<b>119,555</b>	<b>114,230</b>



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**Notes to the Financial Statements (Continued)**

**11b Staff Costs**

Description	2021-2022	2020-2021
	Ksh'000	Ksh'000
Salaries	37,035	34,760
Pensions & NSSF	5,965	5,608
Medical	21,817	21,036
Commuter Allowance	2,812	2,722
Leave Travelling Allowance	2,496	2,117
Recruitment	-	50
Staff welfare	270	40
<b>Total</b>	<b><u>70,395</u></b>	<b><u>66,333</u></b>

**11c Provision for Bad Debts**

Description	2021/22	2020/21
	Ksh'000	Ksh'000
Trading debtors as at year end	450,729	250,878
Impairment at 1%	4,507	2,509
Provision as at 30/6/2021/22	2,509	1,325
<b>Savings/Increase in provision</b>	<b><u>1,998</u></b>	<b><u>1,184</u></b>

**12.Selling and Distribution Costs**

Description	2021-2022	2020-2021
	Ksh'000	Ksh'000
Marketing and Promotional expenses	4,900	9,024
<b>Total</b>	<b><u>4,900</u></b>	<b><u>9,024</u></b>

**13.Finance Costs**

The Institute has no loan, bank overdraft or lease liability.

**14.Board Expenses**

Description	2021/22	2020/21
	Ksh'000	Ksh'000
Sitting allowances	3,400	6,900
subsistence allowances	1,827	2,452
Transport expenses	1,274	1,548
Training expenses	300	308
<b>Total</b>	<b><u>6,801</u></b>	<b><u>11,208</u></b>



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- i) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout Respectively.
- ii) ELC Civil Suit No. 1015 of 2016 Bangué Villa Estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- iii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases in court are as follows: -
- iv) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout Respectively.
- v) ELC Civil Suit No. 1015 of 2016 Bangué Villa Estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- vi) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.
- vii) JR ELC MISC APP. No 28 of 2010 Renege Projects ltd -VS- Commissioner of Lands & KARI. Leave to appeal to the Supreme Court sought.
- viii) ELC 939/2014 KEVEVAPI VS. The AG & 14 Others- The case involves all the illegal acquisitions of KEVEVAPI land except land under suit 1066/2016, 454/2009
- ix) ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has delayed due to the constant unavailability of Kimeo Store's witness due to sickness

KEVEVAPI has a case in court of Approximately Kshs. 80 million for FY 2017/18 intended for purchase lot of machinery and equipment for modernizing KEVEVAPI. The dispute is in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may lose money in buying a machine that does not conform to specifications.

- x) WIP -This refers to work in progress. This is the intangible assets (ERP software) The Institute is Installing (Microsoft Navision). By 30th June 2021, KEVEVAPI had paid the vendor Kshs. 5,703,193.



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**1. Property, Plant and Equipment**

	Land	Buildings	Plant & Machinery	Office Equipment	Furniture & Equipment	Motor Vehicles	WIP	Totals
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000		Shs 000
at 1 <sup>st</sup> July 2020	343,000	222,720	442,211	23,629	14,373	32,463	2,876	1,081,272
additions	-	45,126	61,914	6,274	-	-	2,827	116,141
at 1 <sup>st</sup> July 2021	343,000	267,846	504,125	29,903	14,373	32,463	5,703	1,197,413
disposals	0	10,352	54,253	12,985	2,866	0		80,456
at 30 June 2022	343,000	278,198	558,378	42,888	17,239	32,463	5,703	1,277,869
<b>Depreciation and impairment</b>								
at 1 <sup>st</sup> July 2020	-	39,475	420,966	16,088	11,352	28,367		516,247
additions	-	5,357	63,016	3,738	1,797	1,365		75,273
at 1 <sup>st</sup> July 2021	-	44,832	483,981	19,826	13,148	29,733		591,520
disposals	-	5,564	69,797	5,361	2,155	1,365		84,242
at 30 June 2022	-	50,396	553,779	25,187	15,303	31,098	-	675,763
net book values								
at 30 June 2022	343,000	227,802	4,599	17,701	1,936	1,365	5,703	602,106
At 30 June 2021	343,000	223,014	20,144	10,078	1,224	2,730	5,703	605,893

**Note**

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is land with Civil cases in court that had been grabbed in prior years. The cases in court are as follows: -



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**16. Intangible Assets**

Description	2021-2022	2020-2021
	Kshs'000	Kshs'000
<b>Cost</b>		
At July 1	-	-
Additions	1,831	-
At June 30	1,831	-
<b>Amortization</b>		
At July 1	-	-
Charge For The Year	610	-
At June 30	610	-
<b>Net Book Value</b>		
At June 30	1,221	-

The intangible asset is composed of a payroll system procured to process and store payroll at Kshs. 784,525.40 and procurement of an audit software at a cost of Kshs. 1,046,196.90.

**17. Inventories**

Description	2021/22	2020/21
	Kshs 000	Kshs 000
Bulky and Filled vaccines	357,354	374,011
Chemicals, Glassware & Filtration	220,239	180,761
Engineering, livestock and lab Equip equipment	6,187	6,713
Fuel Oil	346	543
Others	9,522	11,672
<b>Total inventories at the lower of cost and net realizable value</b>	<b>593,648</b>	<b>573,700</b>

**18. Trade and other Receivables**

Description	2021/22	2020/21
	Kshs 000	Kshs 000
<b>Current Receivables (Exchange Transactions)</b>		
Ministry of Livestock	105	105
MTK Uganda	59,091	59,091
Ministry of Agriculture Rwanda	26,029	26,029
Ministry of Agriculture Uganda	319,494	119,685
Others	46,009	45,968
<b>Sub-Total current receivables</b>	<b>450,728</b>	<b>250,878</b>



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<b>Notes to the Financial Statements (Continued)</b>			
<b>Receivables from non – exchange contracts</b>			
Staff advances and Imprest (non-exchange Transactions)	999		1,040
Deposits	2,094		2,539
<b>Sub-Total Non-Trade receivables</b>	<b>3,093</b>		<b>3,579</b>
<b>Total Receivables</b>	<b><u>453,821</u></b>		<b><u>254,457</u></b>
Less provision for Impairment	<u>4,507</u>		<u>2,508</u>
<b>Total Net Receivables</b>	<b><u>449,314</u></b>		<b><u>251,949</u></b>

**19. Prepayment**

<b>Description</b>	2021/22		2020/21
	<b>Kshs 000</b>		<b>Kshs 000</b>
Production Reagents	1,697		3,013
Medical scheme	3,006		3,002
<b>Totals</b>	<b><u>4,703</u></b>		<b><u>6,015</u></b>

**20. Bank and Cash Balances**

<b>Description</b>	2021/22		2020/21
	<b>Kshs 000</b>		<b>Kshs 000</b>
Bank	136,045		380,214
Mortgage and Car loan	20,250		-
Cash-on-hand	Nil		14.2
Call on deposit (KCB Bank)	477,220		559,741
<b>Total cash and cash equivalents</b>	<b><u>633,515</u></b>		<b><u>939,969</u></b>

**NB: Bank Figure Breakdown**

<i>Mpesa Balance</i>	<i>Nil</i>		<i>200</i>
<i>KCB Account No. 1109016492 Kshs</i>	<i>5,052,546.68</i>		<i>1,303,959.51</i>
<i>KCB Account No 1102301108 Kshs. (Foreign</i>			
<i>Exchange Account for inputs purchase)</i>	<i>53,899,031.92</i>		<i>291,614,766.22</i>
<i>KCB Account No.1107172764 Kshs</i>	<i>77,093,301.31</i>		<i>87,295,173.13</i>
<b>Grand Total</b>	<b><u>136,044,879.91</u></b>		<b><u>380,214,098.86</u></b>

**21. Share Capital Fund**

	2021/2022	2020/2021
	<b>Kshs 000</b>	<b>Kshs 000</b>
Issued Fund	367,249	367,249



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**Notes to the Financial Statements (Continued)**

**22. Capital Grant**

This represents an accumulated amount of funds received from the government towards modernization of KEVEVAPI to attain GMP Standards. For the current phase, Kshs 1.750 billion was required. For the budget period, KEVEVAPI was allocated Kshs. 20 million to enable The Institute attain GMP/ISO standards resulting in The Institute being able to access outside market. We also ploughed back Kshs. 62.286 million from the reserves.

**23. Revaluation Reserve**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**24. Retained Earnings**

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilized to finance the entity's business activities.

**25. Trade and Other Payables from Exchange Transactions**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
Trade payables	11,014	13,030
Accruals rates	13,180	13,180
Accruals security services	490	-
Accruals-Electricity bill	1,715	2,074
Accruals-Nita Subscriptions	-	1,029
Staff Creditors-Stale cheques	2	-
Accruals-Water bill	106	142
Audit fee	1,160	1,160
<b>Total Trade payables</b>	<b><u>27,667</u></b>	<b><u>30,615</u></b>



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<b>Notes to the Financial Statements (Continued)</b>		
<b>26. Payment received in Advance</b>		
<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>
Payments received in advance by counties	96,369	98,054
Galvmed Project	1,127	1,127
Kasal project	114	114
Asal project	200	200
University of Florida	-	10,411
Kalro Collaboration	3,202	1,115
International Dev't Research	285	285
Rwanda Client	1,547	1,989
<b>Total payment in advance</b>	<b><u>102,844</u></b>	<b><u>113,295</u></b>

**27. Financial Risk Management**

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the institute's operations. This note presents information about the institute's exposure to each of the above risks, policies and processes for measuring and managing risk, and the institute's management of capital. Further quantitative disclosures are included throughout these financial statements.

**Fair values**

Set out below, is a comparison by class of the carrying amounts and fair value of the institute's financial instruments.

<b>Financial Assets</b>	<b>Carrying Amount</b>	<b>Fair value</b>
<b>At 30 June 2022</b>	<b>Kshs,000</b>	<b>Kshs,000</b>
Receivables from non-exchange transactions	3,093	3,093
Receivables exchange transactions	450,728	446,221
Cash and cash equivalents	<u>633,515</u>	<u>633,513</u>
<b>Total</b>	<b><u>1,087,336</u></b>	<b><u>1,082,827</u></b>

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Credit risk**

Credit risk is the risk of financial loss to the Institute if customers or counterparties to financial instruments fail to meet their contractual obligations. The institute's credit risk is primarily



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attributable to its receivables and cash and cash equivalents. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and

other factors before extending credit. The carrying amount of financial assets represents the maximum credit exposure. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit-ratings. The maximum exposure to credit risk as at 30 Jun 2022 was:

	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>	<b>Total</b>
	<b>Kshs,000</b>	<b>Kshs,000</b>	<b>Kshs</b>	<b>Ksh,000</b>
Trade receivables	3,310	450,511	(4,507)	453,821
Cash and cash equivalents	<u>633,515</u>	<u>-</u>	<u>-</u>	<u>633,515</u>
Maximum exposure to credit risk	<u><b>636,825</b></u>	<u><b>450,511</b></u>	<u><b>(4,507)</b></u>	<u><b>1,087,336</b></u>

The average credit period on services rendered is 90 days from date of invoice. Debts above 90 days old are classified as past due. The customers under the fully performing category are paying their debts as they continue dealing with the institute. The default rate is low. Trade debtors are provided for impairment at the rate of 1% as approved by the Board of Directors.

**Credit quality**

Credit quality is assessed risk of default attached to counterparties to which the Institute extends credit and also those parties with whom the Institute invests. As such, the credit quality assessed extends to the customers, donors and banks of the institute. For financial statement purposes, the investments and balances with banks are limited to the receivable and cash and cash equivalents line items in the statement of financial position. The Institute determines credit quality of the banks from past dealings with them and from information readily available from the regulatory authority, the Central Bank of Kenya. The client base of the Institute is diverse and consists mainly of counties and east African countries. For the purpose of determining the credit quality of clients, the Institute applies its past experience with them in determining the risk of default they pose.

**Receivables**

Receivable's amount is owed by clients and the government of Kenya and are presented net of any impairment losses. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The institute's exposure to credit risk is monitored on an ongoing basis. The institute's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

**Cash and cash equivalents**

The Institute limits its exposure to credit risk by investing cash and cash equivalents with only reputable financial institutions that have a sound credit rating. Consequently, the Institute does not consider there to be any significant exposure to credit risk.



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**Liquidity risk**

Liquidity risk is the risk of The Institute not being able to meet its obligations as they fall due. The institute's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the institute's reputation. Prudent liquidity risk management includes maintaining sufficient cash to meet the institute's obligations.

The table below analyses the institute's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

	<b>Less than</b>	<b>Between</b>	<b>Over</b>	
	<b>1 month</b>	<b>1-3 months</b>	<b>3 months</b>	<b>Total</b>
	<b>Kshs 000</b>	<b>Kshs 000</b>	<b>Kshs 000</b>	<b>Kshs 000</b>
<b>At 30 June 2022</b>				
Trade payables from exchange transactions	14,487	96,369	6,475	<b>117,331</b>
Trade payables from Non exchange transactions			13,180	<b>13,180</b>
	<b>14,487</b>	<b>96,369</b>	<b><u>19,655</u></b>	<b><u>130,511</u></b>

**Market risk**

Market risk is the risk of changes in market prices, such as foreign-exchange rates and interest rates, affecting the institute's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the risk.

- (i) **Price risk**  
The Institute does not hold investments that would be subject to price risk; hence this risk is not relevant.
- (ii) **Interest rate risk**  
The Institute does not hold any interest-bearing liabilities or assets; hence this risk is not relevant.
- (iii) **Foreign currency risk**  
The Institute is exposed to foreign-currency risk through foreign currency denominated bank balances. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of the reporting period are shown below.



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Description	2022 USD	2021 USD	2022 Kshs	2021 Kshs
Assets	-	-	-	-
Bank and cash balances	457,421.15	2,685,447.13	53,899,031.92	289,625,472.97
Receivables	3,433,883.89	1,093,742.26	404,622,780.42	204,865,503.53
	<b>3,891,305.04</b>	<b>3,779,189.39</b>	<b>458,521,812.34</b>	<b>494,490,976.50</b>

At 30 June 2022 an increase/decrease of 10% on the US dollar exchange rates would have resulted in an increase/decrease in surplus of Sh. 45,852,181.23 (Shs504,373,993.57 – Shs 458,521,812.34)

**Capital risk management policies**

The primary objective of managing the institute's capital is to ensure that there is sufficient cash available to support the institute's funding requirements, including capital expenditure, to ensure that the Institute remains financially sound. The Institute monitors capital using a gearing ratio, which is net debt, divided by total capital, plus net debt. As at the end of the year, the Institute had no debt.

The capital structure of the Institute consists only of a general fund. The gearing ratio of the Institute is therefore 0%.

**28. Related Party Disclosures**

**Government of Kenya**

The Government of Kenya is the principal shareholder of the entity, holding 100% of the entity's equity interest.

The entity is related to

- i) The National Government;
- ii) The Parent Ministry-Agriculture, Livestock and Fisheries;
- iii) County Governments
- iv) Key management;
- v) Board of directors;

**Transactions with related parties**

Description	2021-2022 Kshs'000	2020-2021 Kshs'000
<b>a) Due from related parties</b>		
Due from Parent Ministry	105	105
Due from County Government	676	389
Sales of vaccines to govt agencies		
Others (specify)		
<b>Total</b>	<b>657</b>	<b>494</b>



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Description	2021-2022	2020-2021
	Kshs'000	Kshs'000
<b>b) Due to related parties</b>		
Purchases of electricity from KPLC	1,715	1,715
Purchase of water from govt service providers	106	106
Training and conference fees paid to govt. Agencies	-	-
Due to County Governments	96,369	98,054
<b>Total</b>	<b>98,190</b>	<b>99,875</b>
<b>c) Grants from the government</b>		
Grants from national govt	20,000	45,000
Grants from county government		
Donations in kind		
<b>Total</b>	<b>20,000</b>	<b>20,000</b>
<b>d) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	Nil	Nil
Payments for goods and services for xxx	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>
<b>e) Key management compensation</b>		
Directors' emoluments	6,801	11,208
Chairman's Honoraria	1,020	1,020
Compensation to key management	5,939	5,686
<b>Total</b>	<b><u>13,760</u></b>	<b><u>17,914</u></b>

**Related Party Balances (continued)**

**29. Capital Commitments**

Capital commitments	2021/22	2020/21
	Kshs 'Millions	Kshs' Millions
Authorized for	360	190
Authorized and contracted for	82	145



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**Notes to the Financial Statements (Continued)**

**30. Contingent Assets and Contingent Liabilities**

<b>Contingent liabilities</b>	<b>2020/21</b>	<b>2019-2020</b>
	<b>Kshs</b>	<b>Kshs</b>
HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI	Not Valued	Not Valued
JR ELC MISC APP. No 28 of 2010 Renege Projects ltd –VS- Commissioner of Lands & KARI	Not Valued	Not Valued
<b>ELC 939/2014 KEVEVAPI VS. The AG &amp; 14 Others</b>	Not Valued	Not Valued
<b>NOTES TO THE FINANCIAL STATEMENTS(Continued)</b>		
<b>ELC 175/2010 Kimeo Stores LTD VS. AG &amp; KEVEVAPI</b>		
ELC Civil Suit No. 1015 of 2016 Bangue Villa estate Management vs KEVEVAPI and Nairobi City County.	Not Valued	Not Valued
ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI	Not Valued	Not Valued
KVVPI/T/1/2017-18-This tender is in court awaiting determination	80 million	80 million
<b>Total</b>	Not Valued	Not Valued

**Note**

Included in the value of land of Kshs 343,000,000 above on Property, Plant and Equipment is parcels of land with civil cases in court that had been grabbed in prior years. The cases in court are as follows: -

- x) HCC ELC No. 454 and 455 Of 2009 Tuguta Enterprises Limited and TRUSTLAND developers' Limited vs KARI, KEVEVAPI, the land registrar and commissioner of lands. Land measuring 1.87 and 2.023 hectares or thereabout respectively
- xi) ELC Civil Suit No. 1015 of 2016 Bangue Villa Estate Management vs KEVEVAPI and Nairobi City County. Land trespass and illegal demolition of KEVEVAPI perimeter wall.
- xii) ELC Civil Suit No. 1066 of 2016-Christopher Oanda Onuong'a Vs Board of Directors KEVEVAPI-Application from plaint restraining KEVEVAPI from trespassing on her land within KEVEVAPI 29.5 ha.
- xiii) JR ELC MISC APP. No 28 of 2010 Renege Projects ltd –VS- Commissioner of Lands & KARI. Leave to appeal to the Supreme Court sought.
- xiv) ELC 939/2014 KEVEVAPI VS. The AG & 14 Others- The case involves all the illegal acquisitions of KEVEVAPI land except land under suit 1066/2016, 454/2009



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**Notes to the Financial Statements (Continued)**

xv) ELC 175/2010 Kimeo Stores LTD VS. AG & KEVEVAPI- The case involves the Institute's Limuru land. It is still at the hearing stage and has delayed due to the constant unavailability of Kimeo Store's witness due to sickness

KEVEVAPI has a case in court of Approximately Kshs. 80 million for FY 2017/18 intended for purchase lot of machinery and equipment for modernizing KEVEVAPI. The dispute is in court on the award of the tender KVVPI/T/2017-18, and if approved for award by the Court, KEVEVAPI may lose money in buying a machine that does not conform to specifications.

**31. Surplus Remission to The National Treasury**

On 18/11/2018, the Institute paid surplus funds through RTGS of Kshs. 200 million To The National Treasury.

**32. Events after the reporting period**

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

**33. Ultimate and Holding Entity**

The entity is a State Corporation under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. Its ultimate parent is the Government of Kenya.

**34. Currency**

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



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**19 Appendix 1 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 & designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2018/1.1 (a,b,c)	Property, Plant and Equipment-Land	<p>-We have a case in court concerning the illegal allocation of The Institute Land L.R No. 209/11969 at Embakasi awaiting court ruling.</p> <p>-The Land at Kibiko does not exist in our books. An inquiry at the Lands Registrar office in Ngong on 03/08/2017 revealed that we need a title deed to do a search and advised we refer the matter to the Ministry of Lands to establish the LR No. and to whom the land was apportioned.</p> <p>-On the issue of land at Kabete, the land is owned by the DVS and we are relating well as we also house some of the DVS function at our offices in Embakasi.</p> <p>-The land AT Limuru still has a court case. The case started when KEVEVAPI was under KARI and therefore the reason for delayed transfer. As at 30/06/2016, The Institute had instructed the legal counsel to initiate transfer process.</p>	Chief Executive Officer (CEO)	Ongoing	Awaiting Court decision.
2016/1.2	Property, Plant and Equipment-Motor Vehicles	The vehicles in question were given to The Institute for use when The Institute was given independent status from KARI. The Institute has continued to use the vehicles, maintaining them, and insuring them. Correspondences have been going on between the two Institutions to identify all the assets that belong to KARI in	Chief Executive Officer (CEO)	Ongoing	By end of 2020.



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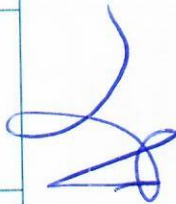
		order to facilitate formal transfer or other appropriate action. However, the assimilation of KARI into Kenya Agricultural Livestock Research Organizations (KALRO) in 2014 posed a new challenge since it deprived KARI of its legal autonomy			
2016/2	Trade and Other Payables	The rates of Kshs. 13, 180, 000 relates to land that has been grabbed and with a court case and therefore management deemed fit to stop paying for the rates until the issue was resolved.	CEO	Ongoing	Awaiting Court Ruling
2016/3	Kshs 26,134,000 worth of receivables were long outstanding	Management have initiated serious efforts in collecting these debts. This is reflected in the reduction of debts from Kshs 151m in FY 2018/19 million to Kshs 133 million in FY 2019/20.	CEO	Ongoing	June 2021

Chief Executive Officer



Date.....15-03-2023.....

Chairman of the Board



Date 15-03-2023



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**Appendix II: PROJECTS IMPLEMENTED BY THE ENTITY**  
**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Modernize the FMD Laboratory to attain GMP Standards	1.75 Billion	1,166,273,860	66.64 %	20 Million	20 Million	G.O.K Committed

**Appendix III: INTER-ENTITY TRANSFERS**

	ENTITY NAME:	KENYA VETERINARY VACCINES PRODUCTION INSTITUTE		
	Break down of Transfers from the State Department of Livestock, Ministry of Agriculture, Livestock and Fisheries			
	FY 21/22	Bank Statement Date	Amount (Kshs)	FY the Amounts Relate
a.	Recurrent Grants		Nil	N/A
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		20/09/2021	10,000,000.00	2021/22
		17/05/2022	10,000,000.00	2021/22
		<b>Total</b>	<b>20,000,000.00</b>	
c.	Direct Payments		Nil	N/A
d.	Donor Receipts		Nil	N/A

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

Head of Accounting Department

**KEVEVAPI**  
Fisheries,

Sign 

Name: Peter Macharia

Date 17/8/2023

Head of Accounting Department

Ministry of Agriculture, Livestock and

Department of Livestock.

Sign-----

Date

Name:



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**Appendix IV: Reporting of Climate Relevant Expenditures**

Name of the Organization: Kenya Veterinary Vaccines Production Institute

Telephone Number

Email Address: vaccines@kevevapi.or.ke

Name of CEO/MD/Head: Dr. Alex Sabuni

Name and contact details of contact person (in case of any clarifications) .....

Engineer Bernard Kuria 0725536477

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
	Effluent Plant	Provide sewerage services to KEVEVAPI Embakasi	Renovation of effluent plant at KEVEVAPI Embakasi	-	-	-	-	GoK, A-I-A and DITRA	KEVEVAPI



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**Appendix V: Disaster Expenditure Reporting Template**

Date: 30/06/2022

Entity Kenya Veterinary Vaccines Production Institute

<b>Period to which this report refers (FY)</b>	<b>Year Financial Year 2021/2022</b>			<b>Quarter 1,2,3,4</b>		
<b>Name of Reporting Officer</b>	<b>Dr Michael Kiraithe</b>					
<b>Contact details of the reporting officer:</b>	<b>Email michael.kiraithe@kevevapi.or.ke</b>				<b>Telephone 0790563166</b>	
<b>Column I</b>	<b>Column II</b>	<b>Column III</b>	<b>Column IV</b>	<b>Column V</b>	<b>Column VI</b>	<b>Column VII</b>
<b>Program me</b>	<b>Sub-program me</b>	<b>Disaster Type</b>	<b>Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)</b>	<b>Expenditure item</b>	<b>Amount (Kshs'000)</b>	<b>Comments</b>
		Human disease control	Purchase of mask and sanitizers	Masks and sanitizers	312	



18-18-18

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