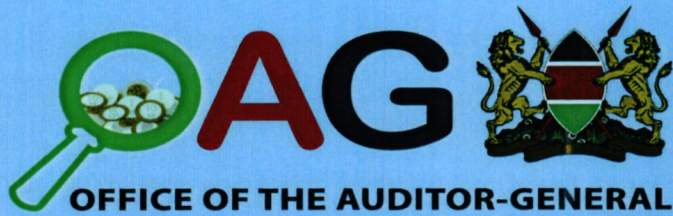


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THE AUDITOR-GENERAL

ON

**VETERINARY MEDICINE DIRECTORATE
COUNCIL**

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



VETERINARY MEDICINES DIRECTORATE
P. O. Box 66171-00800
Westlands, Nairobi
Telephone: 0743795395
Email: VMD@kilimo.go.ke



VETERINARY MEDICINES DIRECTORATE COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

Veterinary Medicines Directorate Council (VMDC)
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Veterinary Medicines Directorate Council (VMDC) was established under the Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, 2011. The entity is domiciled in Kenya. The VMDC Regulations, 2015 operationalized the entity. The operationalization of VMDC implements the National Livestock Policy as contained in Sessional Paper No. 2 of May 2008, which provides for the separation of the management of veterinary medicines from that of humans.

VMDC is envisaged to have four departments once the structure is finalised. The departments include- product registration, inspectorate and pharmaco-vigilance, trade affairs, and administration and finance.

The management of the entity is vested on a Council appointed under the stated regulations.

(b) Principal Activities

The vision of the institution is to be a world class regulatory body promoting the responsible, safe and effective use of veterinary medicines and other animal health products.

The mission is to protect public and animal health, the environment and promote animal welfare by assuring the safety, quality and effectiveness of veterinary medicines and other animal health Inputs.

It's mandate is to regulate the manufacture, importation, exportation, registration, distribution, prescription and dispensing of veterinary medicines and the practice of veterinary pharmacy in Kenya

The functions of VMDC are:

1. Formulation and enforcement of quality assurance standards in the manufacture, distribution and use of veterinary medicines in order to safeguard human, animal and environmental health;
2. In consultation with the Directorate of Veterinary Services, regulate the use of veterinary medicines for the treatment of animals under the Animal Diseases Act;
3. Consideration of applications for approval of market authorization of veterinary medicines;
4. Setting quality assurance standards for training in the management of veterinary medicines as directed by the Kenya Veterinary Board;
5. Collaboration with the Kenya Veterinary Board in regulating training in the management of veterinary medicines;
6. Inspection and approval of premises in which the manufacture, sale or supply of veterinary medicines is conducted;
7. Appointment and gazettement of veterinary medicine inspectors;
8. Establishing Standard Operating Procedures for veterinary medicines' inspectors;
9. Regulation of veterinary pharmacy practices;

1. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

10. Categorization of veterinary medicines and qualifications of persons authorized to trade in each category and reviewing the categories every five years;
11. Regulation of clinical and non-clinical trials of veterinary medicines by individuals or institutions;
12. Regulation of the manufacture, importation, exportation, handling, advertisement, labeling, sale and disposal of veterinary medicines;
13. Registration of all veterinary medicines manufactured or imported for use in the country or exported from the country;
14. Monitoring the market and taking measures necessary for the elimination of trade in illegal and counterfeit veterinary medicines;
15. Establishment of systems of pharmaco-vigilance and conducting pharmaco-vigilance of veterinary medicines through regular inspections and surveys;
16. Enforcement of Good Manufacturing Practices for veterinary medicines as approved by the Council;
17. Development, application and review of guidelines for inspection and ensuring compliance with Good Manufacturing Practices;
18. Ensuring the promotion and marketing of veterinary medicines in accordance with the approved product information;
19. Publication on annual basis of a notice in the Kenya Gazette inviting the public to note and inspect the register of veterinary medicines and the list of approved veterinary practices within such period and at such place as may be specified in the notice;
20. Considering, granting, issuing or revoking authorization and certification in accordance with the Regulations;
21. Collaboration with other regulatory agencies including the Public Health (Standards) Board in Section 27 of the Food, Drugs and Chemical Substances Act, the Pest Control Products Board established under Section 5 of the Pest Control Products Act and the Central Board of Health established under Section 3 of the Public Health Act to carry its mandate and
22. Undertaking any other necessary action for effective carrying out of the Directorate's mandate under the Veterinary Surgeons and Veterinary Paraprofessionals Act or any other Act.

(c) **Key Management**

The Veterinary Medicines Directorate Council day-to-day management is under the following key organs:

1. Veterinary Medicines Council

The Council was appointed by the Cabinet Secretary as per section 8(1) of VMDC regulations and consist of: -

- ❖ The Director of Veterinary Services who is the Chairperson- Dr. Obadiah N. Njagi
- ❖ The Registrar of the Pharmacy and Poisons Board- Dr. Fred Siyoi
- ❖ The Chief Executive Officer of the Kenya Veterinary Board- Dr. Indraph M. Ragwa
- ❖ The Principal Secretary for the time being responsible for Finance/ Alternate-
- ❖ The Principal Secretary for the time being responsible for animal health matters/Alternate- Mr. Jonam Kinama
- ❖ Three veterinary surgeons nominated by the Kenya Veterinary Board:

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1. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

- Dr. Josiah Mandieka M
- Dr. John Wilberforce Muchibi
- Dr. James M. Mbaria
- ❖ One veterinary paraprofessional from the veterinary pharmaceutical industry nominated by the Kenya Veterinary Board- Mr. Douglas Wangai Gitonga
- ❖ The Chief Executive Officer of the Directorate who's also the Secretary- Dr. Jane N. Njiru

2. Ag. Chief Executive Officer

By the closure of the financial year under reporting the Chief Executive Officer in an acting capacity was Dr. Jane N. Njiru.

3. Secretariat

The Secretariat consists of Four (4) heads of departments.

(d) Fiduciary Management

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

	Designation	Name
1.	Ag.CEO	Jane N. Njiru
2.	Head of product registration	Kenneth Orengo
3.	Head of Inspectorate and Pharmacovigilance; Trade	Emily Muema
4.	Head of Accounts	Dennis Mburu Karanja
5.	Head of Procurement	Kelvin Ndiuki

(e) Fiduciary Oversight Arrangements

Veterinary Medicines Directorate Council (VMDC) operates under the following committees:

- ❖ Veterinary Medicines Registration Committee
- ❖ Administration and Finance Committee
- ❖ Audit and Risk Management Committee
- ❖ Ad Hoc Committee

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(f) Veterinary Medicines Directorate Council Headquarters

P.O. BOX 66171-00800
Pest Control Products Board Plaza
Off Waiyaki Way
Westlands, Nairobi

(g) Veterinary Medicines Directorate Council Contacts

Telephone: (254)0743795395
E-mail: VMD@kilimo.go.ke
Website: www.vmd.go.ke

(h) Veterinary Medicines Directorate Council Bankers

National Bank of Kenya
Westlands Branch
P.O. Box 1613-00606
Nairobi, Kenya

(i) Independent Auditors


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

(j) Principal Legal Adviser




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

Veterinary Medicines Directorate Council (VMDC)
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2. COUNCIL MEMBERS

Ref	Directors	Details
1.	 <p>Dr. Obadiah N Njagi, PhD, OGW Veterinary Surgeon, Director of Veterinary Services and Chairman Veterinary Medicines Council- BVM, MSC, Ph.D</p>	<p>Born on the 12th day of December 1963, Dr. Njagi has served in the Directorate of Veterinary Services, State Department for Livestock in various capacities for over 30 years since graduating with a Bachelor of Veterinary Medicine in 1988. He holds a Master's degree in veterinary pathology and a PhD in veterinary immunoparasitology from the University of Nairobi and Technical University-Dresden, Germany with several publications in veterinary science. He has undergone several development, public policy and leadership trainings.</p> <p>He has served as Director in several Boards of state corporations; Pest Control Products Board, Pharmacy and Poisons Board, Kenya Meat Commission, Kenya Animal Genetics Resource Centre, Kenya Tsetse and Trypanomiasis Eradication Council, Veterinary Medicines Council and the New KCC.</p> <p>He has contributed significantly in development of the veterinary service both in Kenya and the EA region. He is most credited for his focused leadership in the national roll-out of the East Coast fever vaccine and development of the Mutual Recognition Process (MRP) for registration of immunological veterinary products (IVPs) in the EAC.</p> <p>He is currently the Director of Veterinary Services/Chief Veterinary officer, official delegate for Kenya to the World Organization for Animal Health (OIE) and the Chairman, Veterinary Medicines Directorate Council (VMDC)</p> <p>He hails from Embu county and is a father of one daughter.</p>



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2.	 <p>Dr. Josiah M. Mandieka, Veterinary Surgeon, BVM, MSC</p>	<p>Dr. Josiah Mandieka was born on 17th September, 1959. He graduated with a Bachelor's Degree in Veterinary Medicine from the University of Nairobi.</p> <p>He also has an MSC from Canada. He worked in the public Service from 1987 to 1998 rising to the position of the District Veterinary Officer. Thereafter he joined the Veterinary Pharmaceutical Industry where he has served to date.</p> <p>He has previously served as a chairman of Kenya Veterinary Association, Kenya Veterinary Privatisation Scheme and Veterinarians with a Mission Programme</p> <p>He is the Current Managing Director of the Ultimate Vetserve LTD, a Veterinary Pharmaceutical Company.</p>
3.	 <p>Douglas Wangai Gitonga</p>	<p>Mr. Douglas Wangai Gitonga holds a Bsc Degree in Animal Health Management from Egerton University and a Certificate in artificial insemination from ADC A.I training school Kitale. He is a member of Kenya association of livestock technicians Egerton and member of KASPA. Coastal and Eastern region sale representative for ultravetis and Bimeda respectively.</p> <p>He is the Current Eastern region area sales manager Bimeda Limited.</p>
4.	 <p>Dr. Indraph Mugambi Ragwa Veterinary Surgeon, BVM, MA (Project Planning and Management)</p>	<p>Dr. Indraph Mugambi Ragwa was born on 17th April, 1957. He qualified with a Bachelor of Veterinary Medicine in 1983 from the University of Nairobi. He did his Master of Arts (Project Planning and Management) from UON in 2012. He has 32 years' experience in Veterinary Practice and is currently the Chief Executive Officer, Kenya Veterinary Board.</p>

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5.	 <p>Dr. Fred Siyoi</p>	<p>A pharmacist born on 31st March, 1963. He is currently the Ag. Chief Executive officer, Pharmacy and Poisons Board.</p>
6.	 <p>Dr. John Wilberforce Muchibi</p>	<p>Dr. John Wilberforce Muchibi holds a Bachelor of veterinary medicine from the university of Nairobi and a post graduate diploma in marketing, The Chartered Institute of Marketing.</p> <p>He's an accomplished leader with extensive, more than 30 years' experience in the Veterinary Pharmaceutical industry in Kenya and east Africa</p> <p>His roles have included market and product development which has exposed to Veterinary products registration processes across the East African region.</p> <p>He has worked for years with Veterinary drugs regulators in the region including the Pharmacy and Poison's Board.</p>
7.	 <p>Prof. James M. Mbaria.</p>	<p>An Associate Professor and the Chairman of Public Health Pharmacology and Toxicology, Faculty of Veterinary Medicine, University of Nairobi. He holds an earned PhD, MSC and BVM</p> <p>He has administrative experience including leadership at the university and professional association. He has 30 years of professional experience. During teaching and instruction, he has provided academic leadership teaching both undergraduate and postgraduate students, organising and guiding research programs.</p>

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8.	 Mr. Jonam Kinama	<p>Mr. Jonam Ngau Kinama was born on 20th February, 1968. He qualified with a B.A Anthoropology in 1987 from the University of Nairobi.</p> <p>He did his Executive Masters in Business Administration from JKUAT in 2009. He has 15 years' experience in administration and is currently senior deputy secretary, State Department for livestock.</p> <p>He is the alternate to the Principal Secretary, State Department for Livestock</p>
9.	 Dr. Jane N. Njiru BVM, MSC	<p>Dr. Jane N. Njiru holds a Master of Science degree in Veterinary Epidemiology and Economics (MVEE) and a Bachelor of Veterinary Medicine degree from the University of Nairobi.</p> <p>She has served in the Directorate of Veterinary services for 25 years 10 of which were under deployment at the Pest Control Products Board (PCPB), which regulates all aspects of pest control products in Kenya.</p> <p>She has held various positions of leadership both at the directorate and other duty stations and participated in development of various regulatory documents for use at national level and within the EAC region.</p>

4. CHAIRMAN'S STATEMENT

The Chairman offered guidance and leadership in general implementation of VMDC's mandate and in achievement of the overall goals of the organization.

The court case that had halted the business of the Council was determined in favour of VMDC paving way for the Council to embark on its business during the second half of the year. However, the applicants gave intentions of launching an appeal and the Council held a case conferencing to develop a replying affidavit. An induction workshop was held to equip members with skills to adequately carry out the business of the Council.



The Council cleared the backlog of applications for registration of veterinary medicines that had accumulated during its absence and adopted the institution's Human Resource Instruments as approved by the Ministry responsible for Public Service. The Council also embarked on review of the VMD Regulations to make them more responsive and facilitate effective and efficient delivery of the institution's mandate. The Council committed to finalise the institution's strategic plan and align it with current medium term plan of the Kenya Vision 2030 to position the institution strategically to help in achievement of the country's development agenda. Key staff in critical areas were engaged on contract basis.

The above achievements were not without challenges. The Council was only active for the second half of the year. Other challenges included inadequate staffing at both technical and support levels, inadequate infrastructure including office space, inadequate transport and ICT as well as inadequate enforcement of existing laws and regulations. There were also delays in approval for recruitment of staff from the National Treasury. Some of the Council members representing institutions by law failed to attend all Council meetings despite invitations.

To help mitigate the challenges the Council requested for approval for phased recruitment from the National Treasury. Plans were put in place to acquire an additional vehicle for the institution, finalise the strategic plan, review the current legal framework and automate operations by procuring an Enterprise Management System. Capacity building will also be undertaken to empower staff to enforce regulatory requirements and benchmark with international best practice.

In the long term the Council plans to secure adequate office space and acquire a well-trained and motivated workforce with enough logistical support to adequately discharge the mandate of the institution to the full satisfaction of all stakeholders.

3. MANAGEMENT TEAM

Ref	Management	Details
1.	 <p>Dr. Jane N. Njiru BVM, MSc</p>	<p>The Acting Chief Executive Officer and Secretary to the Council. Oversees the day to day running of the institution and implements the decisions of the Council. She is the mandatory signatory to the two accounts of the entity.</p>
2.	<p>Dr. Kenneth Otieno Orenge</p>	<p>He has been deployed from public service as the officer in charge of Registration and Market Authorization at the Veterinary Medicines Directorate of Kenya. He has worked as the officer in charge of the analytical chemistry and food safety laboratory at the Directorate of Veterinary Services in the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. As a District Veterinary Officer (DVO) and in his current role, he had designated authority to incur expenditure, involved in budgeting, procurement and fleet management.</p> <p>Head of Registration and Market Authorization</p>
3.	<p>Dr. Emily Muema, PhD</p>	<p>Technical expert Holds a PhD in pharmacology and toxicology.</p> <p>Previous worked at the Regional Veterinary Investigation Laboratory, Nakuru.</p> <p>Head of Inspectorate and Pharmacovigilance; Trade</p>
4.	 <p>Dennis Mburu Karanja</p>	<p>Accountant for Veterinary Medicines Directorate Council (VMDC). An accountant, Degree in Bachelors of Commerce and ACCA I</p>

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Veterinary Medicines Directorate Council (VMDC) is a regulatory agency established under the Veterinary Surgeons and Veterinary Paraprofessionals Act of 2011 (CAP 366) through Legal Notice No. 209 of 9th October 2015. The agency operates under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALF&C) in the State Department for Livestock (SDL).

VMDC is mandated to implement appropriate regulatory measures to ensure the highest standards of safety, quality and efficacy for all veterinary medicines in the country. These measures include regulation of the manufacture, importation, exportation, registration, distribution, prescription and dispensing of Veterinary Medicines and the practice of Veterinary Pharmacy in Kenya. The operationalization of the VMD was to implement the National Livestock Policy (Sessional Paper No 2 of 2008), which provided for the separation in the management and regulation of Veterinary Medicines from that of humans as envisioned by the World Organization for Animal Health (OIE).

The inaugural Council was gazetted for a period of three years on 26th October, 2016 but it did not start work until 24th November, 2017 due to a court matter by the previous regulator who desired to continue regulating issues of veterinary medicines in the country. The second Council was not gazetted until 21st April 2020 but again its work was halted by a court case challenging appointment of members until 12th January 2021 when the court matter was resolved in favour of VMDC. The delays in appointment of the Council and the ensuing court cases have affected performance of the institution over the years.

The 2020/2021 FY was therefore the fourth year, in terms of financial reporting, for the operations of the Council. The agency received Kshs 6.3 Million grant form GOK and collected Kshs 94.85 Million A.I.A. This was against a target of Kshs 84.2Million A.I.A The shortfall was occasioned by the prevailing pandemic which led to closure of some pharmacies and failure to retain some products in the register. Despite the shortfall, the revenue was an improvement compared to past years due to enhanced enforcement of regulations and increased sensitization which improved compliance.

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Over the years the agency has experienced critical shortage of staff since the only three technical officers are deployed from the State Department for Livestock. There were plans to recruit staff during the financial year but the approvals for recruitment were not received on time. This affected absorption rate especially for Personnel Emolument allocation. However, the Council recruited six (6) officers on contract period of one year to help ease staff shortage in critical areas.

Under operations, the following was achieved during the reporting year;

The agency received one hundred and nineteen (119) new applications for registration and five hundred and seventy-five (575) for listing. Two- hundred and twenty- one (221) applications were evaluated which included backlog from the previous year when the Council was absent. Of the evaluated applications, one hundred and fifteen (115) were issued with Market Authorization (MA) while the rest were queried. Four (4) applications for registration under the EAC Mutual Recognition Procedure (MRP) were received with Kenya being the Reference Country for three of the products.

Ten (10) local manufacturers were inspected for purposes of licensing for Good Manufacturing Practice (GMP) compliance while twenty- four (24) requests for various types of variations were received and evaluated. A total of 1296 product were registered and retained in the register.

In addition, Inspection and Licensing of Wholesale and retail pharmacies was carried out where a total of two hundred and thirty (230) pharmacies were licensed. This was a shortfall of the targeted 400 pharmacies which was occasioned by restricted travel due to the Covid 19 pandemic resulting in inspections being done only in Nairobi and surrounding counties.

Five (5) applications for advertisements of various categories of veterinary medicines were received, evaluated and approved during the year. All applications for veterinary medicines imports and exports were processed through the Kenya Electronic Single Window System.

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**6. STATEMENT OF VETERINARY MEDICINES DIRECTORATE COUNCIL
PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

Section 81 subsection 2(f) of the public finance management Act, 2012 requires the accounting office to include in the financial statements, a statement of the national government entity's performance against predetermined objectives.

Veterinary Medicines Directorate Council (VMDC) has three strategic pillars and objectives within its strategic plan for the FY 2018/2019 – 2022/2023. These strategic pillars are as follows:

Pillar 1: Institutional capacity and legal framework

Objective: To strengthen institutional capacity and legal framework

Pillar 2: Enforcement of VMDC regulations

Objective: To enhance compliance with VMDC regulations

Pillar 3: Publicity of VMDC and her role

Objective: To enhance publicity, visibility and corporate image of VMDC

Veterinary Medicines Directorate Council (VMDC) develops its annual workplans based on the above three pillars. Assessment of the board's performance against its annual work plan is done on a quarterly basis. The Veterinary Medicines Directorate Council achieved its performance targets set for the FY 2020/2021 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar/The me/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Institutional capacity and legal framework	To strengthen institutional capacity and legal framework	No. of staff recruited	Recruit relevant staff	Six staffs recruited on contract
		No. of staff trained	Train staff in line with Trained Need Assessment and the Policy	Collaborated in training 34 Directorate of veterinary services Border post staffs.
		No. stakeholders sensitized on VMD activities	Sensitize stakeholders on VMD activities	Three sensitizations took place at Machakos, Nairobi and Naivasha
Pillar 2: enforcement of VMDC regulations	To enhance compliance with VMDC regulations	Number of veterinary pharmacies inspected and licensed	400 No. of veterinary pharmacies licensed	230 Inspect/License veterinary pharmacies
		Number of retained registered veterinary products	Targeted 800 registration /retentions	Achieved 1,296 registration /retentions

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		Number of import/export permits issued	Process all import and exports	All importation and exports were processed.
		Number of GMP audits conducted	Targeted 20 No. of Audits undertaken	undertook 10 audit
Pillar 3: Inadequate publicity of VMDC and her role	To enhance publicity, visibility and corporate image of VMDC	No. of participation in designated veterinary days, annual devolution conferences, exhibitions, field days, other conferences and ASK shows		One KVA activity on Anti microbial resistance sensitization and golf day

7. CORPORATE GOVERNANCE STATEMENT

The VMDC has continued with its commitment to high corporate governance standards, values and ethics within the organization to abide by the laws governing in the country.

The Board continued to engage with key stakeholders in various consultative forums in order to identify partnerships required for improved service delivery.

Collaboration with both private and public institutions and other stakeholders was enhanced in areas in areas of strategic planning, environment, animal health. These included institutions of higher learning and national and international standards setting bodies.

In the period under review, the VMDC council held six meetings and one induction training in the to equip Council members with corporate governance skills in accordance with the Mwongozo code of governance for State Corporations.

Council Attendance

No	Name	Position	Dates						
			22/01/2020	25/01/2021	09/02/2021	09/03/2021	13/04/2021	11/05/2021	18/06/2021
1.	Dr. Obadiah N. Njagi, PhD	Chairman	✓	✓	✓	✓	✓	✓	✓
2.	Dr. Josiah M. Mandieka,	Vice Chairman	✓	✓	✓	✓	✓	✓	✓
3.	Douglas Wangai Gitonga	Member	✓	✓	✓	✓	✓	✓	✓
4.	Dr. Indraph Mugambi Ragwa	Member	X	X	X	X	X	X	X
5.	Mr. Jonam Kinama	Member	✓	✓	✓	✓	✓	✓	✓
6.	Dr. John Wilberforce Muchibi	Member	✓	✓	✓	✓	✓	✓	✓
7.	Prof. James M. Mbaria	Member	✓	✓	✓	✓	✓	✓	✓
8.	Dr. Fred Siyoi	Member	X	X	X	X	X	X	X
9.	Dr. Jane N. Njiru BVM, MSC	Secretary	✓	✓	✓	✓	✓	✓	✓

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The Veterinary Medicines Directorate Council embarked on finalization of the draft strategic plan (2018-2022) that expounds on the Vision, Mission to align it with the third Medium Term Plan of the Kenya Vision 2030.

The appointment of Council members was done in accordance with the Regulations. Councilmembers continued to exercise their powers as given under Regulation No. 7 and include;

- a) Controlling, supervising and managing the assets and liabilities of the Directorate;
- b) Determining the provision to be made for capital and recurrent expenditure and for the reserves of the Directorate;
- c) Seeking and receiving any grants or donations and making legitimate disbursements from such grants and donations for its purposes;
- d) Levying fees and charges for its services as provided in the Regulations;
- e) Entering into association with other bodies within or outside Kenya which the Council may consider desirable or appropriate;
- f) Investing funds of the Directorate not immediately required in securities in which trustees are empowered to invest under the Trustee Act, and in other securities which may be approved for the purpose, by the Cabinet Secretary for the time being responsible for Finance;
- g) Establishing and supporting investment and trust funds for the benefit of employees or ex-employees of the Directorate or dependants of such persons, granting pension, benefits and allowances and making such payments towards insurance as required under the relevant laws;
- h) Opening and operating such accounts as are necessary for the funds of the Directorate, with a bank or financial institution licenced to conduct business under the Banking Act.
- i) recruiting, supporting, disciplining or dismissing the staff and inspectors of the Directorate;
- j) Determining the terms and conditions of employment of the staff and inspectors of the Directorate in consultation with Salaries Remuneration Commission.
- k) Establishing branch offices of the Directorate, to the extent that is practicable, to ensure accessibility of its services by all Kenyans;
- l) Superintending, regulating and assisting branch offices, auxiliaries, committees and other forms of organizations established to advance the interest of the Directorate.
- m) Performing all things necessary or incidental to attaining the objectives of the establishing Regulations or any other written law.

8. MANAGEMENT DISCUSSION AND ANALYSIS

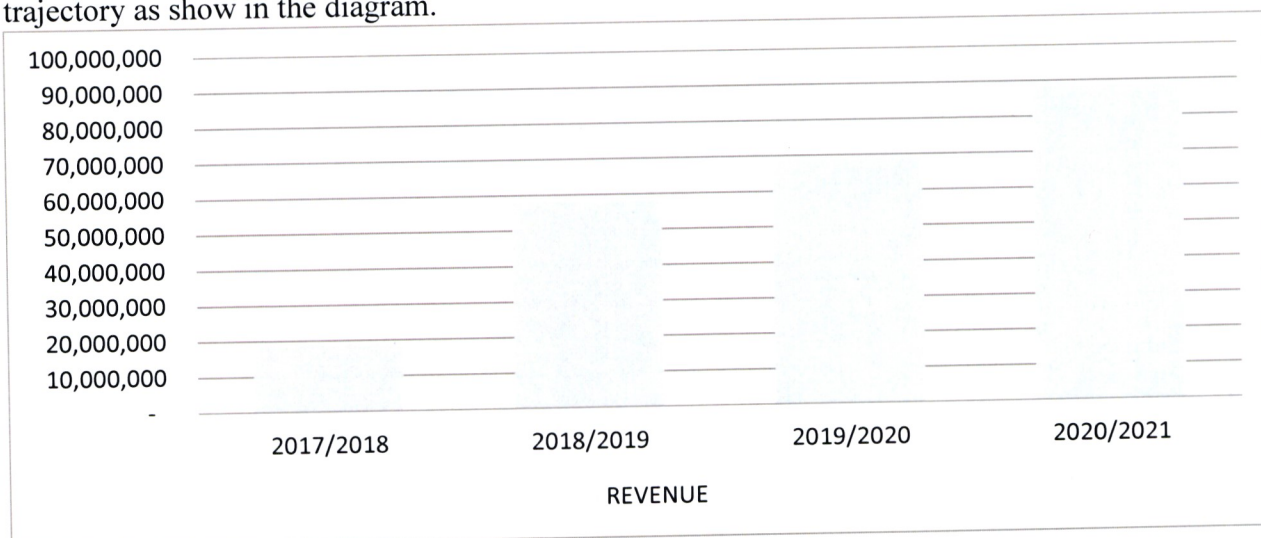
The Veterinary Medicines Directorate agency received one hundred and nineteen (119) new applications for registration and five hundred and seventy-five (575) for listing. Two- hundred and twenty- one (221) applications were evaluated which included backlog from the previous year when the Council was absent. Of the evaluated applications, one hundred and fifteen (115) were issued with Market Authorization (MA) while the rest were queried. Four (4) applications for registration under the EAC Mutual Recognition Procedure (MRP) were received with Kenya being the Reference Country for three of the products.

Ten (10) local manufacturers were inspected for purposes of licensing for Good Manufacturing Practice (GMP) compliance while twenty- four (24) requests for various types of variations were received and evaluated. A total of 1296 product were registered and retained in the register. In addition, Inspection and Licensing of Wholesale and retail pharmacies was carried out where a total of two hundred and thirty (230) pharmacies were licensed. This was a shortfall of the targeted 400 pharmacies which was occasioned by restricted travel due to the Covid 19 pandemic resulting in inspections being done only in Nairobi and surrounding counties.

Five (5) applications for advertisements of various categories of veterinary medicines were received, evaluated and approved during the year. All applications for veterinary medicines imports and exports were processed through the Kenya Electronic Single Window System.

Financial Analysis

Over the last three years Veterinary Medicines Directorate Council has been on an upward trajectory as show in the diagram.



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

The Veterinary Medicines Directorate Council is committed to safeguarding animal health, human health and the environment by ensuring the highest standards of safety, quality and efficacy for all veterinary medicines whether imported or produced locally.

Over the years the agency has experienced critical shortage of staff since the only three technical officers are deployed from the State Department for Livestock. The Council recruited six (6) officers on contract period of one year to help ease staff shortage in critical areas ensuring ethnicity, gender balance during the process. There were plans to recruit staff during the financial year but the approvals for recruitment were not received on time.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

VMDC implemented CSR to enhance Corporate image and create public goodwill. CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government. This is about "giving back to society"

VMDC supports initiatives/projects that provide sustainable solutions to the most pressing social challenges. This is what guides us to deliver our CSR strategy, which is found on the third pillar: Publicity of VMDC and her role. During the period under review VMDC facilitated end of final year activity for University of Nairobi Bachelor of Veterinary Medicines BVM students. The activity was geared at promoting education and employment knowledge to students.

10. REPORT OF THE DIRECTORS

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

i) Principal activities

The principal activities of the Veterinary Medicines Directorate are;

1. Assessing the safety, efficacy and quality of veterinary medicines with a view of registering them, if found suitable.
2. Assessing suitability of veterinary pharmacy premises used for the manufacture, formulation, repacking, storage and distribution of veterinary medicines for purposes of licensing.
3. Processing and issuing import and export permits to ensure that only correct quantities of registered products are imported or exported and in the approved quantities.
4. Advising the Minister on all matters relating to the Provisions of the Regulations establishing the Veterinary Medicines Directorate Council.
5. Monitoring and ensuring adherence of quality standards of veterinary medicines along the distribution chain from production to use.
6. Creating awareness of the general public on all aspects of safety, storage and dispensing of veterinary medicines.
7. Investigating offences related to Regulations.
8. Supervising the disposal of expired, damaged or undesired veterinary medicines.

ii) Results

The results of the Veterinary Medicines Directorate Council for the year ended June 30, 2021, are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi. During the year there was no director who retired/ resigned and also no director was appointed.

Veterinary Medicines Directorate Council (VMDC)
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iv) remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. VMDC had no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board

Name **DR. JANE N. NJIRU**
Corporate Secretary/Secretary to the Board

Signature 

Date **28-02-2022**

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Veterinary Medicines Directorate Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Veterinary Medicines Directorate Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act).

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the Veterinary Medicines Directorate Council's financial statements give a true and fair view of the state of Veterinary Medicines Directorate Council's transactions during the financial year ended June 30, 2021, and of the Veterinary Medicines Directorate Council's financial position as at that date.

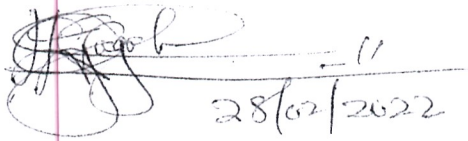
The Directors further confirm the completeness of the accounting records maintained for the Veterinary Medicines Directorate Council, which have been relied upon in the preparation of the Veterinary Medicines Directorate Council's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Veterinary Medicines Directorate Council will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The *Veterinary Medicines Directorate* financial statements were approved by the Council on _____ 2021 and signed on its behalf by:

Signature



Name

28/02/2022

Chairperson of the Board/Council

Signature

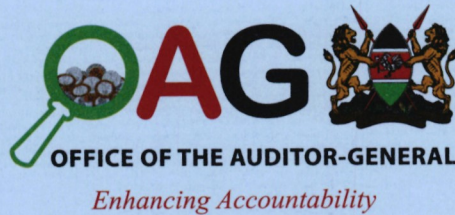


Name DR. JANE N. NJIRU

Accounting Officer

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON VETERINARY MEDICINE DIRECTORATE COUNCIL FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Veterinary Medicine Directorate Council set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2021, and the statement of performance, statement of changes in

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Veterinary Medicine Directorate Council as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Veterinary Surgeons and Veterinary Para-Professionals Act (The Veterinary Medicines Directorate) Regulations, 2015.

Basis for Qualified Opinion

1. Misstatement of Revenue from Exchange Transactions

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects revenue from exchange transactions amounting to Kshs.94,850,398. However, review of postings to the ledger against the receipt's counterfoils revealed that receipts totalling to Kshs.626,137 were not captured in the ledger.

In the circumstances, the accuracy and completeness of the revenue from exchange transactions amount of Kshs.94,850,398 could not be confirmed.

2. Cash and Cash Equivalents - Uncleared Bank Reconciliation Items

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a cash and cash equivalents balance of Kshs.287,361,409 and which relates to two bank accounts. Included in the cash and cash equivalents balance is an amount of Kshs.168,443,936 in a bank account held in a local commercial bank and denominated in Kenya shillings.

Review of the cash book, the bank reconciliation statement as at 30 June, 2021 and the bank statements for this account revealed that there were receipts in the cash book not recorded in the bank statement amounting to Kshs.1,954,800 with some dating back to the year 2019. In addition, the bank reconciliation statement reflects receipts in bank not recorded in cash book amounting to Kshs.1,849,620 out of which Kshs.550,094 dates back to the year 2020. Further, the statement reflects payments in bank not recorded in cash book amounting to Kshs.36,000 with some dating back to the year 2019.

Further, included in the cash and cash equivalents balance of Kshs.287,361,409 is a balance USD 1,102,619.12 (equivalent to Kshs.118,917,472) relating to a bank account held in a local commercial bank and denominated in US Dollars (USD). However, the bank reconciliation statement, for this account, for the month of June, 2021 includes, receipts in bank statement amounting to USD26,601 (equivalent to Kshs.2,977,522) not recorded in cash book out of which receipts totalling USD 17,725 (equivalent to

Kshs.1,911,641) date back to the 2019/2020 financial year. In addition, the bank reconciliation statement reflects receipts in cash book not in bank statement amounting to USD.20,470 (equivalent to Kshs.2,207,689) out of which USD12,885 (equivalent to Kshs.1,389,647) dates back to the year 2019.

Management has however not explained the reason for not recording or adjusting these transactions in the respective cash books of the two accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.287,361,409 could not be confirmed.

3. Receivables from Non-Exchange Transactions

As disclosed in Note 15 to the financial statements, the statement of financial position reflects receivables from non-exchange transactions balance of Kshs.2,183,000. The balance includes two imprests of Kshs.482,800 and Kshs.125,200, issued on 20 November, 2019 and 25 February, 2020, respectively to a former member of staff. Further, the bank reconciliation statement for the Kenya Shillings denominated bank account includes a receipt in bank statement not in cash book of Kshs.498,000 deposited on 16 June, 2020 by the same former member of staff, which had not been captured in the Council's books of account as at 30 June, 2021.

No reason was provided for issuing multiple imprests to the member of staff, for failure to recover the outstanding imprests and for failure to capture the amounts received from the staff member by the Council.

In addition, the receivables from non-exchange transactions balance of Kshs.2,183,000 includes a Government of Kenya Authority to Incur Expenditure (A.I.E) of Kshs.1,575,000. This A.I.E amount was also captured in the cash book of the Kenya Shillings denominated bank account as a receipt and in the bank reconciliation statement as a receipt in the cash book not in bank statement as at 30 June, 2021. This in effect means that the Council accounted for the transaction both as a receipt and as a receivable which is not the correct accounting treatment. Management did not provide a reason for this anomaly.

In the circumstances, the accuracy and completeness of the receivable from non- exchange transactions balance of Kshs.2,183,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Veterinary Medicine Directorate Council Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. 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 expenditure budget and actual on comparable basis of Kshs.95,747,499 and Kshs.24,880,049, respectively resulting in an under-expenditure of Kshs.70,867,450 or 74% of the budget.

The under-expenditure might have impacted negatively on the goods and services 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Conflict in the Composition of the Council Membership

Regulation 8(1) of the Veterinary Surgeons and Veterinary Para-professionals Act (The Veterinary Medicines Directorate) Regulations, 2015 provides that the Director of Veterinary Services (DVS) shall be the Chairperson of the Council while the Principal Secretary responsible for animal health matters (State Department of Livestock) shall be a member. This compromises the overall governance of the Veterinary Medicines Directorate Council as the DVS is also a staff member under the direction/control of the Principal Secretary.

In the circumstances, the conflicting role of the Director of Veterinary Services (DVS) as the Chairperson of the Council may impact negatively on decision making by the Council.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my

report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Internal Audit Function

During the year under review, the Council did not have an internal audit function to review and appraise its existing internal controls, with a view to enhancing the Council's operational efficiency, governance and compliance. This is contrary to Regulation 160 of the Public Finance Management (National Government) Regulations, 2015 which gives the mandate of internal auditors. As a result, the Council did not have an internal audit charter and an internal audit manual for the year under review.

Further, available records revealed that the audit committee held three sittings during the year under review but there was no evidence that there were any internal auditor's reports discussed by the committee. In addition, Management did not provide the reports of the audit committee.

In the circumstances, the effectiveness of the financial and non-financial performance management systems of the Council have not been reviewed and therefore any weaknesses in the internal control environment have not been identified.

2. Lack of a Strategic Plan and Key Policy and Procedure Manuals

During the year under review, the Council did not have in place a strategic plan, finance, accounting, ICT and human resources policy manuals to guide operations during the year under review.

In the absence of a strategic plan and key policy documents, the Council may not be able to prepare for the volatility in its business environment, manage change or successfully achieve its core mandate.

3. Lack of Enterprise Wide Risk Management (ERM)

During the year under review, the Council did not have a documented Enterprise-Wide Risk Management Policy in place to guide effectively the enterprises risk management processes at large in the Council.

In the circumstances, the effectiveness of risk management policy and risk management processes could not be confirmed.

4. Lack of Resource Planning, Management and Control System

The Council did not have an Enterprise Resource Planning (ERP) System, during the year under review, but instead maintained the ledger accounts on an excel software. In addition, the accounting, inventory control and human resource processes were mainly maintained manually, hence susceptible to errors and manipulations.

In the circumstances, the efficiency of the resource planning, management and control systems and processes of the Council could not be confirmed.

5. Understaffing of the Veterinary Medicines Directorate Council

Review of the Council's approved staff establishment revealed an optimal staffing of two hundred and sixteen (216) members. However, only ten (10) members were substantively employed resulting to a staffing gap of two hundred and six (206) members. This is contrary to the approved organizational structure, functions and staffing for the Veterinary Medicines Directorate Council document of January, 2020. In addition, out of the ten (10) employees, three (3) were seconded from the parent Ministry while seven (7) had been employed by the Council on a one-year contract.

Further, the Council had no inspectors and had not gazetted any inspectors to carry out one of its core functions of the inspectorate.

In the circumstances, the Council may not have effectively achieved its mandate.

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

Responsibilities of Management and the Directorate Council

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. 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 Council policies and procedures may deteriorate.

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 September, 2022

Veterinary Medicines Directorate Council (VMDC)
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For the year ended June 30, 2021

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

	Notes	2020-2021	Restated 2019-2020	Audited 2019-2020
		Kshs	Kshs	Kshs
Revenue from non-exchange transactions				
Transfers from other governments entities	6	6,300,000	36,300,000	36,300,000
		6,300,000	36,300,000	36,300,000
Revenue from exchange transactions				
Rendering of services	7	94,850,398	68,914,981	68,914,981
Total revenue		101,150,398	105,214,981	105,214,981
Expenses				
Use of goods and services	9	6,064,103	2,531,945	2,562,565
Employee costs	10	8,813,401	5,617,108	5,617,108
Remuneration of directors	11	5,661,916	545,556	545,556
Depreciation and amortization expense	12	2,268,130	2,817,582	2,817,582
Repairs and maintenance	13	1,097,037	234,524	234,524
Total expenses		23,904,586	11,746,715	11,777,335
Other gains/(losses)				
Gain on foreign exchange transactions	8	1,463,850	2,074,700	2,074,700
Surplus before tax		78,709,663	95,542,966	95,512,346
Surplus/(deficit) for the period/year		78,709,663	95,542,966	95,512,346
Net Surplus for the year		78,709,663	95,542,966	95,512,346

The notes set out on pages 6 to 33 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:


Accounting Officer,

Name: **Ag. C.E.O**
Dr. Jane N. Njiru

Date: **28-02-2022**


Head of Finance

Dennis M. Karanja
ACCA No: 2298153

28/02/2022


Chairman of the Board

Dr. Obadiah N Njagi, PhD,
OGW



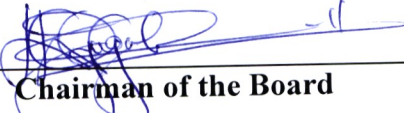
28/02/2022

Veterinary Medicines Directorate Council (VMDC)
Annual Reports and Financial Statements
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	Restated 2019-2020	Audited 2019-2020
		Kshs	Kshs	Kshs
Assets				
Current Assets				
Cash and cash equivalents	14	287,361,409	209,373,360	208,903,459
Receivables from non-exchange transactions	15	2,183,000	608,000	608,000
Total Current Assets		289,544,409	209,981,360	209,511,459
Non-Current Assets				
Property, plant and equipment	17	7,737,079	9,029,746	9,029,746
Total Non- Current Assets		7,737,079	9,029,746	9,029,746
Total Assets		297,281,488	219,011,106	218,541,205
Liabilities				
Current Liabilities				
Payables	16	-	439,281	469,901
Total Current Liabilities		-	439,281	469,901
Non-Current Liabilities				
Total Non- Current Liabilities		-	-	-
Total Liabilities		-	439,281	469,901
Net assets				
Accumulated surplus				95,512,346
Accumulated surplus		297,281,488	218,571,825	123,502,742
Total Net Assets and Liabilities		297,281,488	219,011,106	218,541,205

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

 Accounting Officer, Name: Ag. C.E.O Dr. Jane N. Njiru Date: 28-02-2022	 Head of Finance Name: Dennis M. Karanja ACCA No: 2298153 Date: 28/02/2022	 Chairman of the Board Name: Dr. Obadiah N Njagi, PhD, OGW Date: 28/02/2022
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Veterinary Medicines Directorate Council (VMDC)
Annual Reports and Financial Statements
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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	notes	Retained earnings	Total
As at July 1, 2019		123,028,859	123,028,859
Issued new capital		-	-
Revaluation gain		-	-
Transfer of excess depreciation on revaluation		-	-
Deferred tax on excess depreciation		-	-
Fair value adjustment on quoted investments		-	-
Surplus/ Deficit for the year		95,542,966	95,542,966
Capital/Development grants received during the year		-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-
Dividends paid – 2020		-	-
Interim dividends paid – 2021		-	-
Proposed final dividends		-	-
As at June 30, 2021		218,571,825	218,571,825
As at July 1, 2021		218,571,825	218,571,825
Issue of new share capital		-	-
Revaluation gain		-	-
Transfer of excess depreciation on revaluation		-	-
Deferred tax on excess depreciation		-	-
Fair value adjustment on quoted investments		-	-
Surplus/ deficit for the year		78,709,663	78,709,663
Capital/Development grants received during the year		-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-
Dividends paid – 2021		-	-
Interim dividends paid – 2021		-	-
Proposed final dividends		-	-
As at June 30, 2021		297,281,488	297,281,488

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

		2020-2021	Restated 2019-2020	Audited 2019-2020
	Notes	Kshs	Kshs	Kshs
Cash flows from operating activities				
Receipts				
Transfers from other governments entities		4,725,000	36,300,000	36,300,000
Rendering of services	7	94,850,398	68,914,981	68,914,981
Gain on foreign exchange transactions	8	1,463,850	2,074,700	2,074,700
Total Receipts		101,039,248	107,289,681	107,289,681
Payments				
Use of goods and services	9	6,064,103	2,531,945	2,562,565
Employee costs	10	8,813,401	5,617,108	5,617,108
Remuneration of directors	11	5,661,916	545,556	545,556
Repairs and maintenance	13	1,097,037	234,524	234,524
Total Payments		21,636,456	8,929,133	8,959,753
Adjustments for changes in working capital				
Decrease/(Increase) in non-current receivables		-	(608,000)	(608,000)
(Decrease)/Increase in non-current payables		(439,281)	439,281	
Net cash flows from/(used in) operating activities		78,963,512	98,191,829	97,721,928
Cash flows from investing activities				
Purchase of property, plant, equipment and intangible assets		975,463	-	-
Net cash flows from/(used in) investing activities		975,463	-	-
Cash flows from financing activities				
Increase in Accrued rent				469,901
Net cash flows from /(used in) financing activities		-	-	469,901
Net increase/(decrease) in cash and cash equivalents		77,988,049	98,191,829	97,252,027
Cash and cash equivalents at 1 JULY 2020	14	209,373,360	111,181,531	111,651,432
Cash and cash equivalents at 30 JUNE 2021	14	287,361,409	209,373,360	208,903,459

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

For the year ended June 30, 2021

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other governments entities	6,300,000	-	6,300,000	6,300,000	-	100
Gain on foreign exchange transactions	-	-	-	1,463,850	(1,463,850)	
Rendinger of Services	84,200,000	-	84,200,000	94,850,398	(10,650,398)	113
Reserves	18,700,000	-	18,700,000	18,700,000	-	100
Total income	109,200,000	-	109,200,000	121,314,248	(12,114,248)	111
Expenses						
Use of goods and services	23,943,824	-	23,943,824	6,064,103	17,879,721	25
Employee costs	43,000,000	-	43,000,000	8,813,401	34,186,599	20
Remuneration of directors	5,900,000	-	5,900,000	5,661,916	238,084	96
Depreciation and amortization expense	3,348,179	-	3,348,179	2,268,130	1,080,049	68
Repairs and maintenance	735,496	-	735,496	1,097,037	(361,541)	149
Contracted services	120,000	-	120,000	-	120,000	-
Capital Expenditure	18,700,000	-	18,700,000	975,463	17,724,537	5
Total expenditure	95,747,499	-	95,747,499	24,880,049	70,867,450	26
Surplus for the period	13,452,501	-	13,452,501	96,434,200	(82,981,699)	

Budget notes

1. The variance in the revenue of rendering of services is difficult to accurately estimate the source of funds since the institution has no control in the demand driven aspect of the regulation of veterinary products.
2. During the year there were no changes between original and final budget.
3. The low absorption level in employee costs was attributed to delays of the necessary approvals to recruit.
4. In addition, the low levels of absorption was contributed to the movement restrictions due to Covid 19 (Impact on foreign travel).
5. The council was in operation for the second half of the financial year hence the low absorption.

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18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Veterinary Medicine Directorate Council is established by and derives its authority and accountability from Veterinary Surgeons and Veterinary Paraprofessionals, Act CAP 366, Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is as outlined in earlier pages.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Veterinary Medicine Directorate Council accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Veterinary Medicine Directorate Council.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standards

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

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

Veterinary Medicines Directorate Council (VMDC)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. Early adoption of standards

The Veterinary Medicine Directorate Council did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

The Veterinary Medicine Directorate Council recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly. There were no any revisions or additional appropriations made to the approved budget.

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

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 in the financial statements.

c) Taxes

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. 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

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

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

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

Transfers are made to or from investment property only when there is a change in use.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciation is on a reducing balance basis with the rates of the different classifications as follows: Computers and related Computer equipment, at 30% p.a, Office equipment, furniture, and fittings Furniture, plant & Machinery at 12.5% p.a and Motor vehicles at 25% p.a.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

h) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

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

Loans and borrowing

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

k) Provisions

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

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

l) Contingent liabilities

The Entity 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.

m) Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

Veterinary Medicines Directorate Council (VMDC)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

p) Employee benefits

Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

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

r) Borrowing costs

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

Veterinary Medicines Directorate Council (VMDC)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

s) Related parties

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

t) Service concession arrangements

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

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

u) Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

v) Comparative figures

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

w) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in the Notes.

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2020/21	Prior year 2019/2020
			KShs	KShs	KShs
State Department of Livestock	6,300,000.00	-	-	6,300,000	36,300,000
Total	6,300,000.00	-	-	6,300,000	36,300,000

7. Rendering of Services.

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Veterinary Medicines Dossier / Products Registration Fees.	11,746,440	6,175,147	6,175,147
Veterinary Medicines Good Manufacturing Practice Fees (foreign site)	9,045,800	9,327,702	9,327,702
Veterinary Medicines Good Manufacturing Practice Fees (local site)	400,000	506,522	506,522
Veterinary Medicines Wholesale Dealers Premises Licence Fees	3,696,355	3,151,000	3,151,000
Veterinary Medicines Wholesale Premises Inspection Fees	1,670,000	1,171,957	1,171,957
Veterinary Medicines Retail Pharmacy Licence Fees	675,000	3,944,000	3,944,000
Veterinary Medicines Retail Pharmacy Inspection Fees	405,000	615,000	615,000
Veterinary Medicines Import Verification Fees	41,728,608	21,244,891	21,244,891
Veterinary Medicines Import Permit Fees	1,759,809	914,314	914,314
Veterinary Medicines Products Retention Fees	22,873,387	21,354,448	21,354,448
Products Advertisement	400,000	150,000	150,000
Manufacturing License	450,000	360,000	360,000
Total revenue from the rendering of services	94,850,398	68,914,981	68,914,981

8. Other Income

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Foreign Exchange gain	1,463,850	2,074,700	2,074,700
Total other income	1,463,850	2,074,700	2,074,700

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9. Use of Goods and Services

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Subscriptions	12,000	-	-
Conferences and delegations	1,078,700	304,490	304,490
Consulting fees	-	65,000	65,000
Fuel and oil	5,000	6,400	6,400
Insurance	339,973	353,584	353,584
Legal expenses	5,000	-	-
Printing and stationery	1,322,750	35,514	35,514
Rental	1,772,542	1,353,407	1,353,407
Telecommunication	386,000	238,550	238,550
Training	-	175,000	175,000
Travel, accommodation, subsistence and other allowances	510,260	-	-
Bank charges	-	-	30,620
Other general expenses	631,877	-	-
Total use of goods and services	6,064,103	2,531,945	2,562,565

10. Employee Costs

	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Staff Salaries	749,000	663,748	663,748
Employer contribution to health insurance schemes	17,200	-	-
Wages and Stipends	210,917	-	-
Travel, motor car, accommodation, subsistence, and other allowances	6,855,800	4,953,360	4,953,360
Other employee related costs	980,484	-	-
Employee costs	8,813,401	5,617,108	5,617,108

11. Council Expenses

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Sitting allowances	2,820,000	545,556	545,556
Board and committee travel & accommodation	2,069,200	-	-
Board induction and Training	522,000	-	-
Other allowances	250,716	-	-
Total	5,661,916	545,556	545,556

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12. Depreciation and Amortization Expense

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Property, plant and equipment	2,268,130	2,817,582	2,817,582
Total depreciation and amortization	2,268,130	2,817,582	2,817,582

13. Repairs and Maintenance

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Vehicles	1,044,837	234,524	234,524
Computers and accessories	52,200	-	-
Total repairs and maintenance	1,097,037	234,524	234,524

14. (a) Cash and Cash Equivalents

		2020-2021	Restated 2019-2020	Audited 2019-2020
Financial institution	Account number	KShs	Kshs	Kshs
a) Current account				
National Bank of Kenya (KShs)	01071203347300	168,443,936	134,052,624	134,052,624
National Bank of Kenya (USD)	02071203347300	118,917,472	75,320,736	75,320,736
Total		287,361,409	209,373,360	209,373,360

14. (b) Detailed Analysis of the Cash and Cash Equivalents

		2020-2021	Restated 2019-2020	Audited 2019-2020
Financial institution	Account number	KShs	Kshs	Kshs
a) Current account				
National Bank of Kenya	01071203347300	168,443,936	134,052,624	134,052,624
National Bank of Kenya	02071203347300	118,917,472	75,320,736	75,320,736
Sub- total		287,361,409	209,373,360	209,373,360
a) On - call deposits				
Sub- total		-	-	-
b) Fixed deposits account				
Sub- total		-	-	-
c) Staff car loan/ mortgage				
Sub- total		-	-	-
d) Others(specify)				
Sub- total		-	-	-
Grand total		287,361,409	209,373,360	209,373,360

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15. Receivables from Non-Exchange Transactions

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Other debtors (non-exchange transactions)	608,000	608,000	608,000
GOK AIA	1,575,000	-	-
Total current receivables	2,183,000	608,000	608,000

16. Accrued Liability

Description	2020-2021	Restated 2019-2020	Audited 2019-2020
	KShs	Kshs	Kshs
Accrued Rent*	-	439,281	469,901
Total current Liability	-	439,281	469,901

Note*; The correct figure for accrued rent for the FY 2019/2020 was restated as indicated.

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17. Property, Plant and Equipment

	Motor vehicles		Furniture and fittings		Computers		Other		Plant and equipment		Capital Work in progress	
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Cost												
At 1 July 2019 (b/fwd)	11,640,760	2,194,232	1,709,718	-	-	15,544,710						
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-	-	-	-
At 30th June 2020 (c/fwd)	11,640,760	2,194,232	1,709,718	-	-	15,544,710						
Additions	-	485,800	335,213	154,450	975,463							
Disposals	-	-	-	-	-							
Transfer/adjustments	-	-	-	-	-							
At 30th June 2021	11,640,760	2,680,032	2,044,931	154,450	16,520,173							
Depreciation and impairment												
At 1 July 2020	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	(2,910,188)	(274,279)	(512,915)	-	-3,697,382							
Impairment	-	-	-	-	-							
At 30 June 2020	(2,910,188)	(274,279)	(512,915)	-	-3,697,382							
Depreciation	(1,636,982)	(270,720)	(341,121)	(19,306)	-2,268,130							
Disposals	-	-	-	-	-							
Impairment	(-)	(-)	(-)	(-)	(-)							
Transfer/adjustment	(-)	-	-	-	-							
At 30th June 2020	(5,092,831)	(514,273)	(854,036)	(19,306)	(5,965,512)							
Net book values												
At 30 th June 2020	6,547,929	1,679,959	801,858	-	9,029,746							
At 30 th June 2021	4,910,947	1,895,039	795,950	135,144	7,737,079							

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18. (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant and machinery	154,450	19,306	135,143
Motor vehicles, including motorcycles	11,640,760	6,729,813	4,910,947
Computers and related equipment	3,015,245	2,219,295	795,950
Office equipment, furniture, and fittings	2,680,032	784,993	1,895,039
	17,490,487	9,753,407	7,737,079

20. Financial Risk Management

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

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

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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Financial Risk Management

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

Liquidity risk management

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

21. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

The Government of Kenya is the principal shareholder of the Veterinary Medicines Directorate Council, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Ministry of Agriculture, Livestock, Fisheries and Cooperatives (MALF&C)
State Department for Livestock (SDL).

Relates Party Disclosures

- i) Key management;
- ii) Board of directors;

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Events after the Reporting Period

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

23. Ultimate and Holding Entity

The Veterinary Medicines Directorate Council is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Ministry of Agriculture, Livestock, Fisheries and Cooperatives. Its ultimate parent is the Government of Kenya.

24. Currency

The financial statements are presented and rounded off to the nearest in Kenya Shillings (Kshs).

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26. APPENDIX

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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
VMD/2018/19 - Audit draft Report	Budget performance and controls	Most council members' contracts ended during the second quarter of financial year which affected the operation.	Resolved	30th June 2020
VMD/2018/19 - Audit draft Report	Asset register Missing	It was newly created Directorate	Resolved	30th June 2020
VMD/2018/19 - Audit draft Report	Non-availability of key policy manuals and strategic plan	The Directorate has developed draft Strategic plan in addition to Key.	NOT Resolved	30 th June 2020
VMD/2019/20 - Audit Draft Report	Difference between the financial statements and the trial Balance	The council has restated the financial statement to reflect the true and fair position.	Resolved	30 th June 2021
VMD/2019/20 - Audit Draft Report	Difference between the financial Statements and the Schedules provided for audit	The council has restated the financial statement to reflect the true and fair position and provided schedules for audit verification.	Resolved	30 th June 2021
VMD/2019/20 - Audit Draft Report	Difference between the statement of Financial Performance Comparative figures and notes to the financial Statements	The council has restated the financial statement to reflect the true and fair position and provided schedules for audit verification.	Resolved	30 th June 2021
VMD/2019/20 - Audit Draft Report	Difference between Statement of Financial Position and Notes to the Financial Statements	The council has restated the financial statement to reflect the true and fair position and provided schedules for audit verification.	Resolved	30 th June 2021
VMD/2019/20 - Audit Draft Report	Difference between the statement of financial Position and the Statement	The council has restated the financial statement to reflect the true and fair position and provided	Resolved	30 th June 2021

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of Change in Net Assets	schedules for audit verification.		
VMD/2019/20 - Audit Draft Report	Discrepancies in the Employees' Costs	The council has restated the financial statement to reflect the true and fair position.	Resolved	30 th June 2021

Guidance Notes:

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

Ag. CEO. Dr. Jane N. Njiru

Date... 28.02.2022

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APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		Veterinary Medicines Directorate Council		
Break down of Transfers from the State Department of Livestock				
FY 2020/2021				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		31-Aug-20	1,575,000.00	2020/2021
		3-Dec-20	1,575,000.00	2020/2021
		22-Apr-21	1,575,000.00	2020/2021
		5-Jul-21	1,575,000.00	2020/2021
		Total	6,300,000.00	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	Nil	

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

Finance Manager
 Veterinary Medicines Directorate Council

Head of Accounting Unit
 State Department for Livestock

Sign -----

Sign-----